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Supreme Court of the United States

STAR INDUSTRIES, INC.,

Petitioner,

v.

BACARDI & COMPANY LIMITED and BACARDI U.S.A., INC. and ANHEUSER-BUSCH, INC.,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

1. Should the Supreme Court reverse the Court of Appeals' finding that in order to prove bad faith as part of a confusion analysis in a trademark infringement case in the Second Circuit, a trademark holder must prove deliberate intent to copy a trademark, where there was clear evidence at the trial in the instant action that Respondents performed an inadequate trademark search and acted in reckless or willful disregard of Petitioner's trademark rights, and where there is a split in the Circuits on this issue, with the Third and other Circuits holding that a small senior trademark user need only prove that a large junior user acted in willful or reckless disregard of the senior user's trademark rights in order to support a finding of bad faith?

2. Should the Supreme Court reverse the Court of Appeals' findings in favor of Respondents on the confusion factors of similarity of the marks and actual confusion, where the Court of Appeals applied a clear error test in reviewing the findings of the District Court on these factors, notwithstanding the Court of Appeals' holding that the District Court had performed the wrong confusion analysis altogether, so that the Court of Appeals should have made *de novo* findings of fact as to these two confusion factors?

PARTIES TO THE PROCEEDING

The parties to this proceeding are:

1. Petitioner Star Industries, Inc.

2. Respondents Bacardi & Company Limited and Bacardi U.S.A., Inc.

3. Respondent Anheuser-Busch, Inc.

STATEMENT PURSUANT TO RULE 29.6

Petitioner, Star Industries, Inc., has no parent corporation and no publicly held company owns 10% or more of its stock.

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Petitioner Star Industries, Inc. ("Star") respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Second Circuit (the "Court of Appeals"), entered in this case on June 22, 2005, which affirmed in part and reversed in part the judgment of the United States District Court for the Southern District of New York (the "District Court") denying Star's request for injunctive relief, an accounting of profits and an award of reasonable attorney's fees for trademark infringement.

OPINIONS BELOW

The opinion of the Court of Appeals is reported at 412 F.3d 373 (2d Cir. 2005). The decision of the District Court entering judgment for Respondents following a bench trial is reported at 2003 WL 23109750 (S.D.N.Y. Dec. 31, 2003). These opinions are reprinted in the appendix.

JURISDICTION

The opinion of the Court of Appeals affirming the judgment of the District Court was entered on June 22, 2005. (1a-28a).[1] A timely petition for rehearing and for rehearing en banc of the Court of Appeals' opinion was denied on September 14, 2005. (58a-59a). The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

1. References to the appendix are in the form of "__a."

STATEMENT OF THE CASE

In its complaint, Star, a small regional (New York-based) supplier of alcoholic beverage products, alleged that the use by Respondents Bacardi & Co. Ltd. and Bacardi U.S.A., Inc. (collectively "Bacardi") and Anheuser-Busch, Inc. ("Anheuser-Busch") of a stylized "O" design mark on Bacardi's BACARDI "O" orange-flavored rum product, and on Anheuser-Busch's BACARDI SILVER "O^3" orange-flavored malt beverage product, infringed a nearly identical stylized "O" design mark that Star had been using on its GEORGI "O" orange-flavored vodka product since 1996. (2a-6a). Among other things, Star alleged not that consumers would mistake Star's product for either of the Respondents' products (sometimes called direct confusion), but that consumers would believe, because of the close similarity of the "O" designs, that all of the products were associated with each other, that is, all were put out or were spo ored or authorized by the same entity (sometimes called association confusion). (11a-12a). Following a bench trial, the District Court denied Star's claims for relief in their entirety, holding that Star's "O" design was not protectable as a trademark, as it was not separable from other graphic matter appearing on the label of Star's GEORGI "O" vodka, and was not inherently distinctive, and further found, applying a direct confusion test, that Star's label design as a whole (as opposed to the "O" design by itself) was not likely to be confused with Respondents' label designs. (29a-49a).

The Court of Appeals reversed the District Court in part, holding that the District Court had erred by, *inter alia*, finding that Star's "O" design was not protectable as a trademark, and had also erred by applying a direct confusion test rather than an association confusion test. (7a-12a). However, the

Court of Appeals ultimately affirmed the judgment of the District Court, after applying an association confusion test, finding that there was no likelihood of confusion between Star's "O" design and Respondents' "O" design. (11a-27a). In performing its confusion analysis, the Court of Appeals, among other things, rejected Star's argument that Bacardi had acted in bad faith because, *inter alia*, it had failed to conduct an adequate trademark search for its "O" design, and had ignored clear warning signs in the search it had conducted that the search was inadequate. Rather, the Court of Appeals held that under Second Circuit law, Bacardi could only be found to have acted in bad faith if it had deliberately copied and palmed off Star's "O" design mark. (21a-23a).

Moreover, while the Court of Appeals held that the District Court had performed the wrong confusion analysis, it nevertheless reviewed certain of the District Court's findings of fact as to certain confusion factors for clear error, rather than reviewing the findings *de novo* or remanding the issues back to the District Court for new findings. Specifically, the Court of Appeals improperly subjected the District Court's findings with respect to the confusion factors of similarity of the marks and actual confusion to review for clear error.

These holdings of the Court of Appeals form the basis for this petition for certiorari. As discussed below, there is a fundamental split in the Circuits on the key issue of whether a large junior user's willful or reckless disregard for a smaller senior user's trademark rights can support a finding of bad faith in a trademark infringement case (as opposed to the smaller senior user being required to prove intentional copying of its mark, as held by the Court of Appeals here), and the law as it stands in the Second and other Circuits

(in contrast to the law of the Third and other Circuits) unjustly and inequitably favors the large junior user on this issue. Further, had the Court of Appeals applied the correct law and found that the confusion factors of bad faith, similarity of the marks and actual confusion favored Star, it would have necessarily determined that there was a likelihood of confusion, and Star would have won this case. Thus, if this Court grants the petition for certiorari and corrects the Court of Appeals' erroneous findings, this appeal will be dispositive of the case in Star's favor.

The Parties

Star is a small regional producer and supplier of alcoholic beverage products, including the GEORGI brand of vodkas. (2a). GEORGI vodka is sold primarily in New York State, and is one of the top-selling vodkas in the New York City metropolitan area. (2a). Among the GEORGI products sold by Star is GEORGI "O" orange-flavored vodka. (2a-3a). Since its introduction in 1996, the label of GEORGI "O" orange-flavored vodka has featured a large stylized orange "O", trimmed in gold. (3a). Star was the first company to distribute an orange-flavored alcoholic beverage product bearing a large stylized orange letter "O." (3a). In 1996, Star sought to register the word mark GEORGI O in the U.S. Patent and Trademark Office ("PTO"), but subsequently abandoned the application. (3a). In June 2003, Star filed an application to register its stylized "O" design as a design mark. Star's pending trademark application was published for opposition by the PTO in September 2004 and has been opposed by Bacardi. (5a-6a).

Respondent Bacardi produces, imports, and distributes BACARDI brand rums. (2a). Bacardi is the largest supplier

of alcoholic beverage products in the United States, and the BACARDI rum brand is the largest selling spirit brand in the country. (2a) In 2000, Bacardi began to develop BACARDI "O", an orange-flavored rum product. BACARDI "O" orange-flavored rum — with a label that also featured a large stylized orange "O", trimmed in gold — was released nationally in 2002. (3a-4a). Notably, during the entire period from 1996 to 2002, Bacardi and Star shared the same distributor in the New York City metropolitan area, and the evidence at trial showed that senior level Bacardi employees were exposed to Star's products, including GEORGI "O", on a near daily basis. (4a).

Respondent Anheuser-Busch is the leading producer of beers and malt beverages in the United States. (2a). In 2001, Anheuser-Busch and Bacardi entered into an exclusive trademark licensing agreement under which Anheuser-Busch was to produce malt beverage products bearing Bacardi trademarks. (2a). In March 2003, nearly a year after Star filed suit against Bacardi over its use of the stylized letter "O" on its BACARDI "O" orange-flavored rum, Anheuser-Busch launched a new orange-flavored version of its BACARDI SILVER malt beverage under the name BACARDI SILVER "O^3". (4a). The packaging and marketing materials for BACARDI SILVER "O^3" featured the same stylized letter "O" depicted on Bacardi's BACARDI "O" rum product. (4a).

Proceedings in the District Court

In September 2001, Star sent a cease and desist letter to Bacardi complaining of Bacardi's use of an infringing "O" design on its BACARDI "O" rum product. (5a). Thereafter, in May 2002, Star filed suit against Bacardi alleging, among other things, infringement of Star's "O" design mark under

15 U.S.C. § 1125(a). (5a). At this time, Star was not aware that in October 2001, Bacardi had entered into an agreement with Anheuser-Busch authorizing Anheuser-Busch to use the same "O" design on an orange-flavored malt beverage, and so Star did not also sue Anheuser-Busch. (5a).

In March 2003, nearly a year after suit had been initiated, Star learned of Anheuser-Busch's BACARDI SILVER "O³" malt beverage product for the first time when the product was launched with a national advertising campaign. (50a-57a). Despite discovery requests propounded by Star specifically inquiring into any licensing agreements, Bacardi never disclosed the Anheuser-Busch product to Star. (51a-53a). After learning of the BACARDI SILVER "O³" product, Star sought leave to file an amended complaint naming Anheuser-Busch. (5a). In May 2003, the District Court granted Star's request, calling Bacardi's "deliberate" attempt to "conceal and deflect possible liability for the manufacture, distribution and sale" of a potentially infringing product "deplorable." (55a-56a).

A bench trial was held before the Honorable Harold Baer, Jr., on July 25 and July 28-30, 2003, with closing arguments held on August 14, 2003. (5a). On December 31, 2003, the District Court denied Star's claims in their entirety, holding that (i) Star's "O" design was not protectable as a trademark because it was not separable from other graphic matter appearing on the GEORGI "O" label, was not inherently distinctive because it was not seen as the letter "O", but as a geometric shape, and was descriptive of an orange-flavored product; and (ii) Respondents' label designs as a whole (as opposed to just their "O" designs) were not likely to be confused with Star's label design because, *inter alia*, consumers are aware that vodka is not rum, and because vodka and malt beverages are not sold in the same retail locations in New York. (5a-6a; 29a-49a).

Specifically with respect to the factor of bad faith, one of the eight confusion factors enumerated in the seminal Second Circuit case, *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492 (2d Cir. 1961)[2], Star argued to the District Court that under Second Circuit law, particularly the Second Circuit's decision in *International Star Class Yacht Racing Assoc. v. Tommy Hilfiger U.S.A., Inc.*, 80 F.3d 749, 753 (2d Cir. 1996) ("*Hilfiger*"), a defendant's "willful ignorance" in engaging in "minimal efforts to ascertain whether [the mark it adopted] was, in fact, a trademark," can constitute bad faith. (45a-46a). Nevertheless, the District Court rejected Star's claim that Bacardi should be held to have acted in bad faith because it ignored the results of a patently inadequate trademark search report. (46a). Indeed, the District Court found that Bacardi did not act in bad faith despite the evidence at trial showing that: (1) Bacardi's outside counsel did not perform the trademark search requested by in-house counsel; (2) the trademark search itself clearly indicated, and Bacardi was on notice that the trademark search specifically excluded a host of potentially problematic marks (including Star's 1996 application to register "GEORGI O"); (3) Bacardi failed to conduct a new trademark search when it decided to register its "O" in design form nine months later, even though it considered doing so; and (4) had Bacardi performed the trademark search that its in-house counsel originally requested, the existence of Star's "O" design mark would have been revealed. (46a).

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2. The eight factors are: (1) strength of the trademark; (2) similarity of the marks; (3) proximity of the products and their competitiveness with one another; (4) evidence that the senior user may "bridge the gap" by developing a product for sale in the market of the alleged infringer's product; (5) evidence of actual consumer confusion; (6) evidence that the imitative mark was adopted in bad faith; (7) respective quality of the products; and (8) sophistication of consumers in the relevant market. (13a).

With regard to *Hilfiger*, the District Court acknowledged that *Hilfiger* was good law and agreed that Bacardi's original trademark search request search was not performed as instructed by Bacardi's in-house counsel, but found that the blame for the incorrect search should lie with the search company and not Bacardi. (46a). Additionally, while noting that Bacardi's nine-month delay between its initial search and its PTO application for its own "O" mark registration "raises some concern," the District Court found that Bacardi's conduct as it related to the trademark search did not amount to bad faith. (46a).

Further, on the issue of bad faith, the District Court ignored the evidence at trial demonstrating that: (i) a number of management-level Bacardi employees were exposed to Star's "O" design during their repeated visits to the common distributor shared by Star and Bacardi; and (ii) Bacardi took no steps internally to determine whether the "O" design conflicted with any other mark in the industry, such as contacting its regional offices or conducting an industry-based search. (44a-45a). Moreover, the District Court did not find bad faith evident in the development of the Anheuser-Busch product and Bacardi's deliberate attempt to conceal this from Star, conduct the District Court had previously found "deplorable." (45a).

Judgment was entered by the District Court on January 30, 2004 dismissing Star's complaint.

Appeal to the Second Circuit

On February 17, 2004, Star filed a Notice of Appeal from the District Court's December 31, 2003 opinion. On appeal, Star asserted that:

1. The District Court erred in finding that Star's stylized "O" design was not separable from other graphic matter appearing on the GEORGI O label, ignoring substantial evidence that it was separable;

2. The District Court erred in finding that Star's "O" design was not seen as the letter "O", but rather as a non-distinct geometric shape, and was therefore not inherently distinctive;

3. The District Court misapplied and ignored established law that stylized letter marks, even if descriptive in block letter form, are protectable as trademarks to the extent of their stylization, in concluding that Star's "O" design was not inherently distinctive;

4. The District Court, having erroneously concluded that Star's "O" design was not protectable as a trademark, erred in failing to perform any likelihood of confusion analysis with respect to the "O" design marks in issue, instead performing a confusion analysis with respect to the parties' label designs as a whole, and further erred in performing the wrong type of confusion analysis, *i.e.*, an analysis for direct confusion, rather than association confusion; and

5. The District Court, in performing the wrong confusion analysis, ignored substantial evidence in the record, and misapplied established law, in finding against Star on three critical confusion factors, *i.e.*, proximity of the products, bad faith,

> and actual confusion, and erred in finding no likelihood of confusion. Further, on the issue of bad faith, particularly in reference to the patent inadequacy of Bacardi's trademark search, Star, in light of *Hilfiger*, asserted that Bacardi's conduct exhibited the same type of deliberate indifference to Star's rights as found in *Hilfiger*.

On June 22, 2005, the Court of Appeals reversed the District Court in part, holding that the District Court had erred by, *inter alia*, finding that Star's "O" design was not protectable as a trademark. (7a-11a). Specifically, the Court of Appeals ruled in Star's favor on the first four issues set forth above. (7a-11a). Most notably, the Court of Appeals agreed that the District Court had simply performed the wrong confusion analysis with respect to the wrong trademarks, and should have performed an association confusion analysis with respect to the parties' respective "O" designs, rather than a direct confusion analysis with respect to their label designs as a whole. (11a-13a).

Ultimately, however, the Court of Appeals performed its own confusion analysis and affirmed the judgment of the District Court, finding that there was no likelihood of association confusion between Star's "O" design and Respondents' "O" design. (13a-27a). In analyzing likelihood of confusion, the Court of Appeals, applying the eight-factor test set out in *Polaroid*, found that five of the factors — strength of the mark, similarity, actual confusion, bad faith and consumer sophistication — favored Respondents, one factor — competitive proximity — favored Star, and two factors — bridging the gap and quality — were neutral. (27a).

In affirming the District Court's determination, the Court of Appeals rejected Star's argument that Bacardi had acted in bad faith because it would or should have known of Star's rights in its "O" design had it heeded clear warning signs in its initial flawed trademark search. (21a-23a). In reaching this conclusion, the Court of Appeals, completely ignoring its own prior holding in *Hilfiger* (indeed, not even mentioning *Hilfiger*, although both Star and Respondents had argued the import of *Hilfiger* extensively), stated:

> This Court has never held adoption of a mark with no knowledge of a prior similar mark to be in bad faith even in the total absence of a trademark search, much less on the basis of an allegedly flawed trademark search. *See Savin Corp.* [*v. Savin Group*], 391 F.3d [439] at 460 [(2d Cir. 2004)]. Furthermore, in some cases even where a trademark search resulted in knowledge of the earlier mark, in the absence of additional evidence indicating an intent to promote confusion or exploit good will or reputation, this Court has found the junior user to be in good faith. *See W.W.W. Pharm. Co. v. Gillette Co.*, 984 F.2d 567, 575 (2d Cir. 1993), *limited on other grounds by Deere & Co. v. MTD Prods., Inc.*, 41 F.3d 39, 46 (2d Cir. 1994).

(22a).

However, at this point in its opinion, in a footnote, the Court of Appeals also recognized that there was a split in the Circuits on this issue, and that other Circuits have recognized that the failure to conduct an adequate trademark search and to heed warning signs as to such inadequacy can

support a finding of bad faith, particularly in cases involving large junior users and small senior users. (22a-23a). The Court of Appeals' footnote states:

> Star relies primarily on cases from other circuits dealing with so-called "reverse confusion." A "reverse confusion" situation exists where the junior user is able to amass such trademark strength in its imitative mark that the senior user's products become associated with the junior user in the minds of consumers. In this situation, some courts of appeals have held that a junior user's failure to conduct an adequate trademark search may by itself be sufficient to prove that an imitative mark was adopted in bad faith. *See, e.g., Fisons Horticulture, Inc. v. Vigoro Indus., Inc.*, 30 F.3d 466, 480 (3d Cir. 1994). However, this particular holding is at odds with this circuit's precedents, which preclude finding bad faith on the basis of an inadequate trademark search, at least in the absence of evidence that the inadequate design or the failure to correct inadequacies in the search was motivated by an intent to sow consumer confusion or to exploit the good will or reputation of the senior user. *See Sunenblick v. Harrell*, 895 F. Supp. 616, 633 (S.D.N.Y. 1995).

(22a-23a).

Finally, while agreeing with Star that the District Court had performed the wrong confusion analysis with respect to the wrong trademarks, and while purporting to conduct a *de novo* confusion analysis, the Court of Appeals nonetheless subjected only some of the *Polaroid* factors to *de novo* review, while applying the clear error test to others. (11a-27a).

In particular, the Court of Appeals applied the clear error test to the similarity and actual confusion factors, and found that they favored Respondents. (16a-17a; 20a-21a).

On July 6, 2005, Star filed a timely Petition for Rehearing and Petition for Rehearing En Banc. (58a-59a). In the Petition, Star argued that the Court of Appeals had improperly ignored its own precedent in *Hilfiger* with respect to the bad faith factor, and that the Court of Appeals had applied the wrong standard of review with respect to certain of the *Polaroid* factors in undertaking its *de novo* confusion analysis. The Petition was ultimately denied on September 14, 2005. (58a-59a).

REASONS FOR GRANTING THE PETITION

I. THE COURT SHOULD RESOLVE A SPLIT IN THE CIRCUITS CONCERNING THE BAD FAITH FACTOR IN A LIKELIHOOD OF CONFUSION ANALYSIS

Bad faith is always an important factor in any confusion analysis performed by a district court in a trademark infringement case. In some confusion analyses, it is the most important factor, since if a party acted in bad faith in adopting a mark, it is often presumed that the adopted mark is confusingly similar to the prior existing mark. *See, e.g., Paddington Corp. v. Attiki Importers & Distribs., Inc.*, 996 F.2d 577 (2d Cir. 1993).[3]

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3. While Star acknowledges that in the typical trademark infringement action, the bad faith factor is often equated with intentional copying, nevertheless, as explained below, such a requirement makes no sense when dealing with a small senior user that is attempting to defend its rights against the encroachment of a

(Cont'd)

Currently, however, small business trademark owners in the Second Circuit and in several other Circuits are faced with a nearly insurmountable obstacle in establishing bad faith. In these Circuits, in order to demonstrate bad faith, a small or localized senior user of a mark, like Star, is required to show that a much larger junior user with the resources to use the mark on a far greater scale, like Bacardi and Anheuser-Busch, have deliberately adopted the senior user's mark with the intent to cause confusion among consumers. These Circuits do not allow a showing of bad faith on the basis of a reckless disregard for, or willful ignorance of, a senior user's rights, as where the junior user relies on the results of a patently inadequate trademark search. In these Circuits, the junior user, just as Bacardi and Anheuser-Busch did here, can easily defeat any claim of bad faith by pointing to themselves and asking the question: "Why would we want to deliberately copy this senior user's mark?" Or as Respondents more colorfully put it in their brief to the Court of Appeals, "The question begged by Star's imputation of bad faith copying is what would motivate either Bacardi or A-B, both legendary brand builders, to associate their new 'BACARDI O' and 'BACARDI SILVER O[3]' products with a cheap, unsuccessful, unadvertised brand like GEORGI orange vodka." *See* Respondents' App. Brief, p. 48.

(Cont'd)
large junior user. In fact, in such circumstances, the necessity of demonstrating intentional copying would be nearly impossible. As a result, and as explained in detail below, certain courts have relaxed the bad faith factor in such cases allowing for a senior trademark user to demonstrate bad faith by showing that the junior user recklessly disregarded, or willfully ignored, the senior user's rights. Thus, in such cases, the same presumption should apply, and a finding of this Court in favor of Star on this issue could be dispositive.

Thus, in circumstances where, like here, a junior user has the resources to overwhelm the market with the use of its mark, it will be nearly impossible for the smaller senior user to show that the adoption and use of the mark was done in bad faith. Consequently, in these types of cases, the senior user has the deck stacked against it, since one of the most important confusion factors will already be in the junior user's column.

Recognizing this injustice in these types of cases, other Circuits have taken a different approach, allowing for the possibility that a large junior user's failure to take adequate steps to discover a small senior user's rights, by virtue of an inadequate trademark search or otherwise, can constitute bad faith. For example, as recognized by the Court of Appeals in its footnote in this case, the Third Circuit has held that in cases where a large junior user has reason to know of a senior user's mark, fails to adequately investigate, and instead proceeds without regard to the senior user's rights, this can constitute bad faith on the junior user's part, just as if it had intentionally copied the senior user's mark. (22a-23a). *See, e.g., Fisons*, 30 F.3d at 480 (the "relevant intent inquiry" is (1) whether the defendant conducted an adequate name search for other companies marketing similar goods under trademarks similar to the trademark at issue; (2) whether the defendant followed through with its investigation when it found there were such companies; (3) whether the defendant considered the likelihood of confusion with other companies' marks and products (as opposed to considering the likelihood that someone would contest its new mark); (4) whether the defendant attempted to contact companies using similar marks; and (5) whether the defendant was careless in its evaluation of the likelihood of confusion). *See also Commerce National Insurance Services, Inc. v. Commerce*

Insurance Agency, Inc., 214 F.3d 432, 444 (3d Cir. 2000) ("the intent inquiry must also be altered to focus on whether the defendant was aware of the senior user's use of the mark in question, or whether the defendant conducted an adequate name search for other companies marketing similar goods or services under that mark").

The Third Circuit is joined in this more sensible and equitable approach to this issue by the Eighth and Ninth Circuits, and, in a slightly different way, by the Sixth and Seventh Circuits. Several District Courts in the Eighth Circuit have adhered to this less stringent requirement for showing bad faith in a confusion analysis. *See Mars Musical Adventures, Inc. v. Mars, Inc.*, 159 F. Supp. 2d 1146, 1152 (D. Minn. 2001) (the Court held that "the 'intent' inquiry is whether . . . the alleged infringer was careless in not conducting proper research, to avoid infringement, prior to the development of its trademark"). Similarly, in *Rainforest Cafe, Inc. v. Amazon, Inc.*, 86 F. Supp. 2d 886, 899 (D. Minn. 1999), the Court held, "In a reverse confusion case, however, the junior user, by definition, does not seek to capitalize on the good will of the senior user. Consequently, the above-set forth prong of the traditional forward confusion analysis addressing 'passing off' is rendered moot in a reverse confusion case." *See also Dream Team Collectibles, Inc. v. NBA Properties, Inc.*, 958 F. Supp. 1401, 1415 (E.D. Mo. 1997) (noting that "[b]y definition, in a reverse confusion case, 'the junior user does not seek to trade on the good will and name of the senior user; instead he overwhelms it'" and applying *Fisons* test). The Ninth Circuit has also indicated that having reason to know (as opposed to knowing) of a senior user's rights can constitute bad faith. *See Cohn v. Petsmart, Inc.*, 281 F.3d 837, 843 (9th Cir. 2002) (suggesting that had plaintiff challenged that adequacy of defendant's

trademark search, it would have been relevant to the bad faith factor).

Additionally, the Seventh and Sixth Circuits have adopted an alternative approach that is in line philosophically with that of the Third, Eighth and Ninth Circuits. Recognizing that a small senior user will never be able to prove that a large junior user deliberately copied, these Circuits hold that the bad faith factor is simply irrelevant to a confusion analysis in these types of cases. *See Sands, Taylor & Wood Co. v. The Quaker Oats Co.*, 978 F.2d 947, 960 (7th Cir. 1992), *cert. denied*, 507 U.S. 1042, 113 S. Ct. 1879, 123 L. Ed. 2d 497 (1995) (finding that the "intent" element is essentially irrelevant in a reverse confusion case because "[i]n a reverse confusion case . . . the defendant by definition *is not* palming off or otherwise attempting to create confusion as to the source of his product") (emphasis in original); *Therma-Scan Inc. v. Thermoscan, Inc.*, 295 F.3d 623, 639 (6th Cir. 2002) (holding that "[t]he district court erred, however, in finding that the absence of any evidence of intentional copying 'weighs in favor of finding little likelihood of confusion between the marks.' This factor, rather than tilting the balance in either direction, does not carry significant weight if no evidence of intentional infringement exists").

The views of the Third, Sixth, Seventh, Eighth and Ninth Circuits, however, are in sharp contrast to the approach taken by the Court of Appeals in the instant case, and other Circuit Courts that continue to require a showing of deliberate intent to copy or palm off, even in the context of a small senior user and large junior user. As a result, as the Court of Appeals acknowledged in its footnote, a clear split has developed in

the Circuits with respect to the analysis of the bad faith factor in cases like this.[4]

The Court of Appeals is joined in its approach to this issue by courts in the First, Fourth, Fifth and Eleventh Circuits. *See Pump, Inc. v. Collins Management, Inc.*, 746 F. Supp. 1159, 1170 (D. Mass. 1990) ("There is no evidence in the record that [defendant] Aerosmith intended to 'reap what it had not sowed' by appropriating the band Pump's name and concurrent goodwill on its new album — in other words, that it wanted a 'free ride.'") (citations omitted); *Bridges in Organizations, Inc. v. Bureau of National Affairs, Inc.*, Civ. No. B-19-23, 1991 WL 220807, *11 (D. Md. June

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4. The state of the law in the Tenth Circuit on this issue can be described as internally inconsistent. *See Universal Money Centers, Inc. v. AT&T Co.*, 22 F.3d 1527 (10th Cir. 1994) (despite finding that at the time it adopted the mark in question AT&T's trademark counsel knew about plaintiff's federally registered marks and that plaintiff might challenge AT&T's use of the mark, the court concluded that AT&T did not act in bad faith since there was no evidence that AT&T adopted its mark with the intent to derive benefit from plaintiff's mark); *King Of The Mountain Sports, Inc. v. Chrysler Corp.*, 968 F. Supp 568, 574 (D. Col. 1997) (noting that "[t]he Tenth Circuit has stated that 'The proper focus [remains] whether defendant[s] had the intent to derive benefit from the reputation or goodwill of plaintiff.'"); *contra Packerware Corp. v. Corning Consumer Prods. Co.*, 895 F. Supp. 1438, 1450 (D. Kan. 1995) ("in a reverse confusion case, of course, the defendant by definition is not palming off or otherwise attempting to create confusion as to the source of his product. Thus, the 'intent' factor of the likelihood of confusion analysis is essentially irrelevant in a reverse confusion case"); *Prime Media, Inc. v. Primedia, Inc.*, 33 F. Supp. 2d 932, 939 (D. Kan. 1998) (same). The issue does not appear to have been addressed in the D.C. Circuit.

24, 1991) (crediting defendant's testimony that mark was not adopted based on the belief that it would infringe plaintiff's mark); *Amicus Communications, L.P. v. Hewlett-Packard Co., Inc.*, No. CIV. A. SA-98CA1176PMA, 1999 WL 495921, *15 (W.D. Tex. June 11, 1999) ("The intent on which the Court focuses in this aspect of the analysis is the intent to confuse — and not bad faith. . . . Even if HP was 'careless' in its trademark search . . . the Court does not find that it was careless in furtherance of a goal to 'palm off'"). *Glen Raven Mills, Inc. v. Ramada Int'l, Inc.*, 852 F. Supp. 1544, 1551 (M.D. Fla. 1994) ("an argument of willful blindness may be relevant to a variety of issues raised by a party. However, it is not relevant to the intent that is at issue in a likelihood of confusion case").

In addition to the split in the Circuits, the Second Circuit itself has conflicting precedent on this issue. Indeed, in the instant action, the Court of Appeals' determination that a showing of deliberate intent in required to support a finding of bad faith overlooks the Second Circuit's own clear precedent in *Hilfiger*, namely, that willful ignorance resulting from the failure to conduct an adequate trademark search can constitute bad faith. Indeed, unbelievably, although both Star and Respondents vigorously argued *Hilfiger* to the Court of Appeals, the word "Hilfiger" never appears in its opinion.

In *Hilfiger*, the Second Circuit found that the defendant's "willful ignorance" in engaging in "minimal efforts to ascertain whether [the mark it adopted] was, in fact, a trademark", coupled with its failure to stop using the mark when placed on notice of the plaintiff's claim, constituted bad faith. *Hilfiger*, 80 F.3d at 753. Indeed, in *Hilfiger*, the Second Circuit likened Hilfiger's conduct to "two of the famous trio of monkeys who, by covering their eyes and ears,

neither saw nor heard any evil." *Id.* at 753-54. As the Second Circuit held, a "defendant cannot lay claim to a 'good faith' belief that it was not infringing on [plaintiff's] mark [when] it neither fully explored others' rights to [the mark] nor ceased its infringing behavior when it was sued", *id.* at 754, and further that the District Court's finding of no bad faith in such circumstances was clear error.

In the instant case, however, the Court of Appeals completely disregarded its own precedent in *Hilfiger*, despite Star's argument that the facts of this case fit neatly into the *Hilfiger* template, and the District Court also discussed *Hilfiger* in some detail. Rather, the Court of Appeals relied, as noted above, on an earlier District Court decision, *Sunenblick v. Harrell*, 895 F. Supp. 616 (S.D.N.Y. 1995), which held that the failure of the junior user to diligently ascertain whether a senior user has superior trademark rights cannot, by itself, constitute bad faith, but rather, that the junior user must also have the deliberate intent to copy the senior user's mark. (21a-23a). However, the law in the Second Circuit is not so limited, and in *Hilfiger* in particular, the Second Circuit recognized that in a small senior user/ large junior user context, a showing of deliberate intent "to sow consumer confusion or to exploit the good will or reputation of the senior user" as a predicate to establishing bad faith in a confusion analysis is not required. Rather, as stated in *Hilfiger*, "willful ignorance should not provide a means by which [a party] can evade its obligations under trademark law." *Hilfiger*, *supra*, 80 F.3d at 754. Indeed, it would appear that based upon *Hilfiger*, the Second Circuit is actually more closely aligned with the Third, Sixth, Seventh, Eighth and Ninth Circuits than the First, Fourth, Fifth and Eleventh. Had the Second Circuit considered *Hilfiger* and applied the standard articulated there, namely that willful

ignorance is enough to support a finding of bad faith, it could well have found that the bad faith factor favored Star, and this important *Polaroid* factor would have ended up on Star's side of the ledger.

The Supreme Court should resolve the fundamental split in the Circuits and the inconsistent precedents in the Second Circuit alone, and eliminate the inequities facing smaller senior users going up against industry giants in trademark infringement cases. Smaller senior users should be able to show that where a large junior user has conducted a patently inadequate trademark search, or otherwise acted in disregard of or with blinders as to the rights of the smaller senior user, the junior user has acted in bad faith. Otherwise, larger junior users will always be able to recite that same mantra in every one of these cases, and avoid a finding of bad faith: "Why would we want to have intentionally copied this unknown party's mark?" The Supreme Court should grant this petition for certiorari, adopt the approach of the Third Circuit, and eliminate the split in the circuits on this extremely important factor in any likelihood of confusion analysis.

II. THE COURT OF APPEALS FAILED TO APPLY THE CORRECT STANDARD OF REVIEW IN CONDUCTING ITS CONFUSION ANALYSIS

Further, as argued in Star's Petition for Rehearing, this petition for certiorari should be granted because the Second Circuit failed to apply the correct standard of review in conducting its own confusion analysis as to the *Polaroid* factors similarity of the marks and actual confusion.

On appeal, Star argued, and the Court of Appeals agreed, that the District Court erred, *inter alia*, in performing the wrong confusion analysis (direct confusion as opposed to association confusion) with respect to the wrong trademarks (the label designs as a whole rather than the "O" designs). (7a-13a). On the basis of such findings, the Court of Appeals should have been limited to two choices — it could have remanded the case to the District Court with directions to make new findings of fact using the correct standard (*i.e.*, association confusion instead of source confusion), or it could have made its own findings of fact *de novo* (assuming that the record was sufficient to make such findings).

While the Court of Appeals purported to perform its own confusion analysis, testing for association confusion, it did not subject each of the factors to *de novo* review as it should have under established law. (13a-27a). Rather, the Second Circuit made new findings as to some of the *Polaroid* confusion factors, but subjected others to the clear error test. (13a-27a). Two of the *Polaroid* factors that the District Court found in favor of Respondents — similarity and actual confusion — were held by the Court of Appeals to be not clearly erroneous findings, and were allowed to stand, despite the Court of Appeals' concession that some evidence on these factors pointed in Star's favor. (16a-17a; 20a-21a). Thus, the Second Circuit's final tally, five *Polaroid* factors favoring Respondents, one factor favoring Star, and two factors neutral, could easily have come out 4-2-2 in Star's favor, had bad faith, similarity and actual confusion been subjected to the proper analysis.

As this Court stated in *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 855 n.15 (1982), where "the trial court bases its findings upon a mistaken impression of applicable

legal principles, the reviewing court is not bound by the clearly erroneous standard" under Fed. R. Civ. P. 52(a), *citing United States v. Singer Mfg. Co.*, 374 U.S. 174, 194 n.9 (1963). Ironically, the Court of Appeals cited *Inwood* for this very proposition when it declined to test for clear error the District Court's findings of fact on the protectability of Star's "O" design. Holding that the District Court had used the wrong legal analysis on the issue of protectability, the Court of Appeals proceeded to make its own findings, ultimately overturning the District Court on that issue. (7a-11a). Indeed, in reviewing a lower court's findings of fact on the *Polaroid* factors, the Second Circuit has previously held that the clear error test should not be applied where such findings were predicated upon an incorrect legal standard. In *Virgin Enters., Ltd. v. Nawab*, 335 F.3d 141, 150 (2d Cir. 2003), the Second Circuit refused to defer to the lower court's factual findings relating to the *Polaroid* factor of competitive proximity, after determining that the lower court had applied the wrong legal test for proximity. As a result, the Second Circuit made its own finding of fact as to proximity in that case, and reversed the lower court's finding that the products in question were not in competitive proximity.

The Court of Appeals' application of the clear error test to the District Court's findings of fact on the *Polaroid* factors of similarity and actual confusion is not a matter of form over substance. The clear error test imposes a high threshold. Clear error will only be found where "although there is evidence to support it, the reviewing court on the entire evidence is left with the definite and firm conviction that a mistake has been committed." *Mobil Shipping Transp. Co. v. Wonsild Liquid Carriers Ltd.*, 190 F.3d 64, 67-68 (2d Cir. 1999). The clearly erroneous standard prevents appellate courts from reversing a lower court's findings of fact "even

though convinced that had it been sitting as the trier of fact, it would have weighed the evidence differently." *Anderson v. Bessemer City*, 470 U.S. 564, 574 (1985).

In this case, the Court of Appeals made its own *de novo* findings of fact on five of the confusion factors (strength, bridging the gap, bad faith (albeit under the wrong standard, as discussed in Point I above), quality and consumer sophistication), because the District Court had either made no finding on these factors or the finding of the District Court made no sense. (13a-27a). However, inexplicably, the Court of Appeals tested the similarity and actual confusion factors for clear error, instead of ignoring those findings, as it should have, and making its own *de novo* findings.[5] (16a-17a; 20a-21a). As to the similarity factor, while acknowledging (as the District Court itself stated) that the parties' respective "O" designs were very similar when viewed separately, the Second Circuit went along with the District Court's finding, which was wrongly based on an examination of the parties' respective labels as a whole, and found no clear error.[6] (16a-17a).

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5. As to the eighth *Polaroid* factor, competitive proximity, it is not clear whether the Court of Appeals tested the District Court's finding in favor of Respondents for clear error, or whether it made its own finding, but in any event, the Court of Appeals held for Star on this factor.

6. It made no sense for the District Court or the Court of Appeals to test the parties' label designs as a whole for similarity. This case was about the parties' respective "O" designs, not their product labels as a whole. Further, in association confusion cases — where secondary marks such as logos or designs are often involved — the analysis should not focus on the similarity of the product labels. Otherwise, parties would be permitted to use a famous mark without

(Cont'd)

On the actual confusion factor, the Court of Appeals once again acknowledged that Star had proffered some evidence in its favor, but nevertheless concluded that the District Court's finding of no actual confusion was not clearly erroneous. (20a-21a). A *de novo* review of the actual confusion factor could have led to a different result. Star introduced evidence of three instances of actual confusion. (20a-21a). Each was a classic example of actual confusion — an individual (two consumers, one tradesperson) was confused into believing that Bacardi's product was somehow affiliated with Star's, due to the similarity of the parties' respective "O" designs. Although the Court of Appeals characterized this evidence as "minimal", the examples were nevertheless admitted into evidence (despite an in-trial motion by Respondents to exclude them), and were never discredited. (36a-38a).

In contrast, Respondents' only evidence on actual confusion was two surveys that the District Court found to be inherently flawed and of little value. (37a). Survey evidence is generally considered the next best evidence of actual confusion, after instances of actual confusion, which are always considered the best evidence. *See, e.g., Lambda Elecs. Corp., v. Lambda Tech., Inc.*, 515 F. Supp. 915 (S.D.N.Y. 1981). Here, however, the Court of Appeals found

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permission, slap other graphic elements onto the packaging, use a different brand name, and argue that there is no likelihood of confusion between the labels as a whole. *See Guinness United Distillers & Vinters B.V. v. Anheuser-Busch, Inc.*, 64 U.S.P.Q.2d 1039 (S.D.N.Y. 2002) (where Anheuser-Busch's use of a secondary mark, RED LABEL, on a malt beverage was found likely to be associated with the same secondary mark used by plaintiff on whiskey, notwithstanding the presence and prominent use of the main word marks — BUDWEISER and JOHNNIE WALKER).

that it was not clear error for the District Court to have given more credit to the flawed survey evidence than Star's evidence of actual confusion. (20a-21a).

Thus, as noted above, had the Court of Appeals made its own *de novo* findings of fact on each of the confusion factors, and subjected the bad faith factor to correct precedent as discussed in Point I above, its "scorecard" of 5-1-2 – five factors favoring Respondents (strength, similarity, actual confusion, bad faith and consumer sophistication), one factor favoring Star (competitive proximity) and two neutral and/or irrelevant factors (bridging the gap and quality) — could easily have come out 4-2-2 in Star's favor, with the similarity, actual confusion, bad faith and competitive proximity factors resolved for Star. In that event, a proper *de novo* review of the individual factors could have easily led the Court of Appeals to find that there was a likelihood of confusion, in which case it would have reversed all of the District Court's findings on appeal, not just the findings on protectability and failure to test for association confusion, and found in favor of Star.

CONCLUSION

For the foregoing reasons, the petition for writ of certiorari should be granted.

Respectfully submitted,

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APPENDIX

APPENDIX A — OPINION OF THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT DECIDED JUNE 22, 2005

UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

August Term, 2004

(Argued: December 17, 2004 Decided: June 22, 2005)

Docket Nos. 04-0831-cv(L), 04-1753-cv(CON)

STAR INDUSTRIES, INC.,

Plaintiff-Appellant,

v.

BACARDI & COMPANY LIMITED, Bacardi U.S.A., and Anheuser-Busch, Inc.,

Defendants-Appellees.

POOLER, *Circuit Judge*:

Plaintiff-appellant Star Industries appeals from a judgment for defendants-appellees, entered in the United States District Court for the Southern District of New York (Harold Baer, Jr., *Judge*), on January 30, 2004, after a bench trial, dismissing its federal claims under the Lanham Trade-Mark Act, 15 U.S.C. §§ 1051-1129, and pendent state law claims under N.Y. General Business Law §§ 360-1 & 349

and New York common law. Star also appeals from the district court's order entered March 23, 2004, denying its motion to reopen the trial record and to amend the findings of fact and conclusions of law. For the reasons stated below, we affirm.

BACKGROUND

Plaintiff-appellant Star Industries, Inc. ("Star") produces alcoholic beverages including, of particular relevance to this appeal, the "Georgi" brand of vodkas. Georgi vodka is sold primarily in New York state, and is one of the top selling vodkas in the New York metropolitan area. It is generally cheaper than the leading nationally distributed vodkas. Defendants-appellees Bacardi & Co. Ltd. and Bacardi U.S.A. (collectively "Bacardi") produce, import, and distribute "Bacardi" brand rums. Bacardi is the largest selling brand of hard liquor in the United States. Defendant-appellee Anheuser-Busch, Inc. is one of the leading producers of beers and malt beverages in the United States. In 2001 Anheuser-Busch and Bacardi entered into an exclusive trademark licensing agreement under which Anheuser-Busch produces malt beverages bearing the Bacardi logo.

In June 1996, inspired by the success of flavored vodkas introduced by leading international companies such as Stolichnaya, Star's president decided to develop an orange-flavored Georgi vodka. A new label was designed, consisting of the traditional Georgi label, which contains a coat of arms and a logo consisting of stylized capital letters spelling 'Georgi' on a white background, together with three new elements: an orange slice, the words "orange flavored," and

a large elliptical letter "O" appearing below the "Georgi" logo and surrounding all of the other elements. The "O" was rendered as a vertical oval, with the outline of the "O" slightly wider along the sides (about one quarter inch thick) and narrowing at the top and bottom (about one eighth inch thick); the outline of the "O" is colored orange and decorated with two thin gold lines, one bordering the inside and one bordering the outside of the outline. Star was apparently the first company to distribute an orange-flavored alcoholic beverage packaged in a bottle bearing a large elliptical orange letter "O."

Star's hope was that, just as consumers of orange-flavored Stolichnaya vodka had begun referring to the vodka as "Stoli O," consumers would come to refer to orange-flavored Georgi vodka as "Georgi O." Accordingly, Star applied in 1996 to register "Georgi O" as a word trademark with the U.S. Patent and Trademark Office ("PTO"). Reasoning that consumers viewing the Georgi O label were likely to perceive the word "Georgi" as separate from the "O" design, and not as constituting a composite phrase, the PTO rejected Star's application. Between 1996 and 2002 Star promoted its new orange-flavored vodka, although it is unclear how vigorously, and it apparently had little success. Sales volume remained low even in New York state, and practically nil elsewhere. No evidence in the record suggests that Georgi vodka has ever been commonly referred to by consumers as "Georgi O."

In 2000 Bacardi began to develop an orange-flavored rum, which it ultimately introduced nationally in 2001 under the name "Bacardi O." Bacardi's line of flavored rums

originated in 1995 with "Bacardi Limon." Unlike Bacardi's other flavored rums, however, Bacardi O was produced and marketed bearing a distinct label consisting of the Bacardi logo and bat symbol above a large elliptical letter "O" against a clear background. This Bacardi "O" design was developed by a New York design firm, whose President and Creative Director supervised the design of the new label and claimed not to have had any awareness of the Georgi "O" design until after the instant lawsuit was filed. Like the Georgi "O," the Bacardi "O" was decorated with gold bordering, was colored in orange, and spanned most of the height of the bottle. Its appearance differed in certain respects from the Georgi "O" design, including lesser elongation, greater thickness, variable shading, and the use of a brighter variety of orange. Star presented some evidence at trial suggesting that Bacardi's local sales representatives and regional managers were aware of Georgi's product and its appearance prior to the development of the Bacardi "O" design, but no evidence of such awareness by those involved in the development of the new "O" design.

In March 2003 Anheuser-Bush launched a new orange-flavored version of its "Bacardi Silver" malt beverage, under the name "Bacardi Silver O 3." This product also contained the Bacardi "O" design on the label. Under New York state law, malt beverages and hard liquors may not be sold in the same stores, malt beverages being sold primarily in grocery stores while hard liquors are sold in liquor stores.

In support of its contention that consumers and tradespeople were confused by the similar labels on Bacardi's and Georgi's orange-flavored beverages, Star presented the

following evidence at trial: the testimony of a Star Vice President that she once overheard someone standing outside a Dunkin Donuts casually comment to a friend that Georgi's orange-flavored vodka was a Bacardi product; the testimony of an employee of Star's distributor that he himself had assumed on first seeing the Bacardi label that Bacardi must have obtained Star's permission to use its "O" design, and that he once had a conversation with a liquor store owner about the potential for consumers to be confused by the similar labels; and the testimony of a Star employee that he once saw a consumer at a liquor store select a bottle of Bacardi O in the belief that it was Georgi orange-flavored vodka. Star presented no consumer surveys or studies, while Bacardi and Anheuser-Busch each proffered a survey suggesting that there was no consumer confusion.

After sending a cease and desist letter to Bacardi in September 2001, Star filed the instant lawsuit in May 2002, amending its complaint to add Anheuser-Busch as a defendant in May 2003. In June 2003 Star applied with the PTO to register its "O" design.[1] A bench trial was held in the district court in July and August of 2003. At closing argument on August 14, 2003, the district court inquired as to the status of Star's PTO application, which remained pending. The district court rejected Star's claims in their entirety by order dated December 31, 2003, holding Star's "O" design not protectable as a trademark, and holding in the alternative that, assuming the Georgi "O" design was a protectable trademark, such trademark was not infringed because Star's

1. Unlike its 1996 PTO application which sought to register the word "Georgi O" as a trademark, Star now sought to register its stylized "O" design separately from the word "Georgi."

product was not likely to be confused with Bacardi's despite the similar "O" designs. Judgment was entered for defendants-appellees on all claims on January 30, 2004. On February 6, 2004, the PTO approved Star's application to register its "O" design. On February 17, 2004, Star moved in the district court to reopen the trial record to include evidence of the PTO's decision, seeking new conclusions of law that the design was protectable as a trademark and that there was a likelihood of confusion. The district court denied Star's motion by order dated March 19, 2004. Star filed notices of appeal from the judgment on February 17, 2004, and from the denial of its motion to reopen on April 2, 2004. Star asks this Court to enter a permanent injunction and remand for calculation of damages, or in the alternative to remand for reconsideration after supplementing the record with evidence of the PTO decision.

We conclude that the district court erred in holding Star's "O" design not protectable as a trademark. We therefore need not consider whether the district court erred in denying Star's motion to reopen the trial record. However, as we agree with the district court that Star has not established a likelihood of confusion with Bacardi's product, we affirm the district court's judgment for appellees.

Appendix A

DISCUSSION

"[T]o succeed in a Lanham Act suit for trademark infringement, a plaintiff has two obstacles to overcome: the plaintiff must prove that its mark is entitled to protection and, even more important, that the defendant's use of its own mark will likely cause confusion with plaintiff's mark." *Gruner + Jahr USA Publ'g v. Meredith Corp.*, 991 F.2d 1072, 1074 (2d Cir. 1993). We discuss these two elements of trademark infringement in turn.

I. Protectability as a Trademark

At the time of judgment, Star's "O" design had not yet been approved for registration as a trademark by the PTO. An unregistered mark is entitled to protection under the Lanham Act if it would qualify for registration as a trademark. *See Courtenay Communications Corp. v. Hall*, 334 F.3d 210, 214 n. 2 (2d Cir.2003). To qualify for registration a mark must be sufficiently "distinctive" to distinguish the registrant's goods from those of others. *See id.* Such distinctiveness may be demonstrated in either of two ways. The mark may be "inherently distinctive" if its intrinsic nature serves to identify its particular source. Alternatively, even if not inherently distinctive, the mark may be distinctive by virtue of having acquired a "secondary meaning" in the minds of consumers. *See Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768-79, 112 S.Ct. 2753, 120 L.Ed.2d 615 (1992); Hall, 334 F.3d at 214 n. 2.

On appeal, Star does not purport to rely on a "secondary meaning" acquired by its "O" design, relying instead on

inherent distinctiveness. "Common basic shapes" or letters are, as a matter of law, not inherently distinctive. *See Seabrook Foods, Inc. v. Bar-Well Foods, Inc.*, 568 F.2d 1342, 1344 (C.C.P.A.1977) (implying that " 'common' basic shape or design" is not inherently distinctive); *Permatex Co. v. California Tube Prods.*, Inc., 175 U.S.P.Q. 764, 766 (T.T.A.B.1972) (stating that "common basic shapes . . . used as vehicles for the display of word or letter marks" are not inherently distinctive). However, stylized shapes or letters may qualify, provided the design is not commonplace but rather unique or unusual in the relevant market. *See, e.g., id.* (holding swirly circle design protectable).[2] The guiding principle in distinguishing protectable from unprotectable marks is that no one enterprise may be allowed to attain a monopoly on designs that its competitors must be able to use in order to effectively communicate information regarding their products to consumers. *See* Restatement (Third) of Unfair Competition § 13 cmts. b & d; *cf. Virgin Enters. Ltd. v. Nawab*, 335 F.3d 141, 147 (2d Cir.2003) (explaining that a merchant who sells pencils labeled "Pencil" and seeks to exclude other merchants from using that word "is seeking an advantage the trademark law does not intend to offer. To grant such exclusivity would deprive the consuming public of the useful market information it receives where every seller of pencils is free to call them pencils."). Trademark protection of a sufficiently stylized version of a common shape or letter will not hamper effective competition

2. "As we have noted on many occasions[,] the decisions of the [Trademark Trial and Appeals Board (TTAB)], while not binding on courts within this Circuit, are nonetheless to be accorded great weight." *Hall*, 334 F.3d at 216 (internal quotation marks, brackets, and ellipsis omitted).

because competitors remain free to use nonstylized forms or their own alternative stylizations of the same shape or letter to communicate information about their products.

A design used in conjunction with other marks is separately protectable in its own right if it creates a separate and distinct impression from the impression created by the other marks. This will be true if either the mark is itself inherently distinctive, *see, e.g., In re Servotronics, Inc.*, 156 U.S.P.Q. 592, 592 (T.T.A.B.1968) (holding stylized letter "S" separately protectable from word in which it appeared); *In re W.B. Roddenbery Co.*, 135 U.S.P.Q. 215, 216 (T.T.A.B.1962) (holding combination of gold circle and colored rectangle, utilized as background to applicant's advertisement for sour pickles, registrable separately from foreground elements), or if the consuming public has come to associate the separate mark in itself with the particular product, vesting it with its own distinct secondary meaning, *see* Restatement (Third) of Unfair Competition § 13 cmt. d.

The district court held Star's "O" design not protectable on two grounds. First, the court held that the mark was not protectable separately from the other material appearing on the Georgi O label on the ground that there was a lack of evidence that it produced a separate impression among consumers. Second, the court held that the mark was not protectable because it was not inherently distinctive and Star had not demonstrated secondary meaning. A district court's findings that a mark is not protectable as inherently distinctive is a finding of fact that we generally review for clear error. *See Bristol-Myers Squibb Co. v. McNeil-P.P.C., Inc.*, 973 F.2d 1033, 1039-40 (2d Cir.1992). However, where

the district court "base[d] its findings upon a mistaken impression of applicable legal principles," we are "not bound by the clearly erroneous standard." *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 855 n. 15, 102 S.Ct. 2182, 72 L.Ed.2d 606 (1982).

The district court erred when it described the Star "O" as a basic geometric shape or letter, and therefore rejected inherent distinctiveness and required a showing of secondary meaning. The Star "O" is not a "common basic shape" or letter, and the district court's holding to the contrary was premised on a misunderstanding of this trademark law concept. Unshaded linear representations of common shapes or letters are referred to as "basic." They are not protectable as inherently distinctive, because to protect them as trademarks would be to deprive competitors of fundamental communicative devices essential to the dissemination of information to consumers. However, stylized letters or shapes are not "basic," and are protectable when original within the relevant market. *See Hall*, 334 F.3d at 215 n. 3 (distinguishing case of mark consisting of word displayed with distinctive "typeface, color, and other design elements," which was protectable, from cases holding generic words not protectable); *compare W.B. Roddenbery Co.*, 135 U.S.P.Q. at 216 (holding design consisting of colored circle attached to differently colored rectangle protectable as inherently distinctive) *with In re Hillerich & Bradsby Co.*, 40 C.C.P.A. 990, 204 F.2d 287, 288 (1953) (noting that applicant conceded that unshaded line oval was not inherently distinctive). Star's "O" is sufficiently stylized to be inherently distinctive and therefore protectable as a trademark. It is stylized with respect to shading, border, and thickness, and

each of these design elements distinguishes it from the simple or basic shapes and letters that have been held unprotectable.

The Star "O" design had sufficient shape and color stylization to render it slightly more than a simply linear representation of an ellipse or the letter "O." It was, furthermore, a unique design in the alcoholic beverage industry at the time it was introduced. This suffices to establish its inherent distinctiveness and thus its protectability. Furthermore, the Star "O" design is protectable separately from the other design elements on the Georgi orange-flavored vodka label precisely because the "O" design is itself inherently distinctive. *See In re E.J. Brach & Sons*, 45 C.C.P.A. 998, 256 F.2d 325, 327 (1958); *W.B. Roddenbery*, 135 U.S.P.Q. at 216. However, the extent of stylization was marginal at best. The outline of the "O," though not uniform, is ordinary in its slightly varying width, and the interior and exterior borders are also ordinary. The result is a "thin" or weak mark, which will be entitled to only limited protection. *See Libman Co. v. Vining Indus.*, 69 F.3d 1360, 1363 (7th Cir.1995).

II. Likelihood of Confusion

To prevail in a trademark infringement action under the Lanham Act, a plaintiff must prove, in addition to protectability of the mark, "a probability of confusion, not a mere possibility," affecting "numerous ordinary prudent purchasers." *Gruner + Jahr*, 991 F.2d at 1077. "Likelihood of confusion includes confusion of any kind, including confusion as to source, sponsorship, affiliation, connection,

or identification." *Guinness United Distillers & Vintners B.V. v. Anheuser-Bush, Inc.*, 64 U.S.P.Q.2d 1039, 1041 (S.D.N.Y.2002), *citing McDonald's Corp. v. McBagel's, Inc.*, 649 F.Supp. 1268, 1273 (S.D.N.Y.1986). "In order to be confused, a consumer need not believe that the owner of the mark actually produced the item and placed it on the market. The public's belief that the mark's owner sponsored or otherwise approved the use of the trademark satisfies the confusion requirement." *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 204-05 (2d Cir.1979) (internal citations omitted).

Star asserts not that consumers were likely to be confused into believing that its product was Bacardi rum or that Bacardi O or Bacardi Silver O 3 was Georgi vodka, but rather, that consumers were likely to be confused into believing that there was an affiliation, sponsorship, or other connection between the companies' products. The district court's analysis did not distinguish confusion as to identification or source from the kind of confusion relied on by Star, as to affiliation, sponsorship, or connection. Thus the district court held incorrectly that confusion was impossible as to Bacardi Silver O 3 because it was not sold in the same stores as Georgi vodka. The district court also relied excessively on its observation that no sober consumer would purchase rum labeled "Bacardi" believing it to be vodka labeled "Georgi," despite the presence of similar orange ovals on both labels. The district court's analysis misses the point of an affiliation confusion claim: if Star's "O" design is, as we have held above, inherently distinctive and therefore a unique and recognizable identifier of Georgi's product, then the inclusion of a similar design on another company's product may lead consumers to infer a relationship between the new product and Star's.

Appendix A

To determine whether there is a likelihood of confusion, we apply the eight-factor *Polaroid* balancing test introduced by Judge Friendly in *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492 (2d Cir.1961). The district court's resolution of each separate factor is treated as a finding of fact which we review for clear error, while its balancing of the factors is treated as a matter of law subject to de novo review. *See Gruner + Jahr*, 991 F.2d at 1077. Our analysis is not mechanical, but rather, focuses on the ultimate question of whether, looking at the products in their totality, consumers are likely to be confused. *See Nora Beverages, Inc. v. Perrier Group of Am., Inc.*, 269 F.3d 114, 119 (2d Cir.2001). The eight factors are: (1) strength of the trademark; (2) similarity of the marks; (3) proximity of the products and their competitiveness with one another; (4) evidence that the senior user may "bridge the gap" by developing a product for sale in the market of the alleged infringer's product; (5) evidence of actual consumer confusion; (6) evidence that the imitative mark was adopted in bad faith; (7) respective quality of the products; and (8) sophistication of consumers in the relevant market. We discuss these factors in turn.

A. The *Polaroid* Factors

1. Strength

The district court did not explicitly discuss the "strength" factor of the *Polaroid* test, and so there appears to be no finding of fact on this issue to which we must defer. The strength of a mark is determined by its tendency to uniquely identify the source of the product. This tendency is strong to the extent that the mark is distinctive, either inherently or by

virtue of having acquired secondary meaning. *See Savin Corp. v. Savin Group*, 391 F.3d 439, 457 (2d Cir.2004). Determination of strength therefore begins with inquiry as to whether the mark has the inherent distinctiveness that would entitle it to protection in the absence of secondary meaning. Marks are classified, in ascending order of strength, as "(1) generic; (2) descriptive; (3) suggestive; [or] (4) arbitrary or fanciful." *TCPIP Holding Co. v. Haar Communications, Inc.*, 244 F.3d 88, 93 (2d Cir.2001). Generic marks are those consisting of words identifying the relevant category of goods or services. They are not at all distinctive and thus are not protectable under any circumstances. *Id.* Descriptive marks are those consisting of words identifying qualities of the product. They are not inherently distinctive, but are protectable provided they have acquired secondary meaning, which we sometimes refer to as "acquired distinctiveness." *Id.* at 94. Suggestive marks and arbitrary or fanciful marks are each inherently distinctive. *Id.* Suggestive marks are those that are not directly descriptive, but do suggest a quality or qualities of the product, *id.*, through the use of "imagination, thought and perception," *Time, Inc. v. Petersen Publ'g Co.*, 173 F.3d 113, 118 (2d Cir.1999) (quoting *Stix Prods., Inc. v. United Merchants and Mfrs., Inc.*, 295 F.Supp. 479, 488 (S.D.N.Y.1968)). Arbitrary or fanciful marks are ones that do not communicate any information about the product either directly or by suggestion. *See generally Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9-11 (2d Cir.1976) (discussing scale of inherent distinctiveness).

Among marks relying solely on inherent distinctiveness for their protectability, arbitrary or fanciful ones are the

strongest. *See Virgin Enters.*, 335 F.3d at 147 (explaining that only marks that can be considered clearly strong based exclusively on inherent distinctiveness are those that are arbitrary or fanciful). In the absence of any showing of secondary meaning, suggestive marks are at best moderately strong. *See Patsy's Brand, Inc. v. I.O.B. Realty, Inc.*, 317 F.3d 209, 217 (2d Cir.2003) (explaining that suggestive words, when rendered in sufficiently stylized script, may be strong even in absence of showing of secondary meaning); *Lang v. Retirement Living Publ'g Co.*, 949 F.2d 576, 581 (2d Cir.1991) (explaining that "suggestiveness is not necessarily dispositive of the issue of the strength of the mark," and that presence or absence of secondary meaning is relevant factor in determining suggestive mark's origin-indicating quality and therefore its strength); *accord Sports Auth., Inc. v. Prime Hospitality Corp.*, 89 F.3d 955, 961 (2d Cir.1996).

Once a mark has been classified, the second step in determining strength is to consider its degree of distinctiveness, an inquiry that concerns both the "inherent inventiveness of the mark itself and the amount of third-party usage of the term as a mark, especially in the market in question." 2 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 11:81, at 11:159 (2005); *see Playtex Prods., Inc. v. Georgia-Pac. Corp.*, 390 F.3d 158, 164 (2d Cir.2004) (explaining that term "Wet Ones" was suggestive, not descriptive, because "the term 'Wet Ones,' without more, does not itself conjure up the image of a towelette"). Star's mark is suggestive, but just barely. The "O" requires some thought to identify it as the first letter of "orange," but, with an orange slice depicted on the label, the degree of thought is minimal. Moreover, first letters to

suggest descriptive words are near the bottom of the range of suggestive marks, if includable at all. *Compare Anheuser-Busch, Inc. v. Stroh Brewery Co.*, 750 F.2d 631 (8th Cir.1984) (holding "L.A." suggestive of low alcohol beer), *with G. Heileman Brewing Co. v. Anheuser-Busch, Inc.*, 873 F.2d 985 (7th Cir.1989) (holding "L.A." descriptive of low alcohol beer). Furthermore, the stylizing characteristics of the mark that achieve its placement in the suggestive category are minimal. Finally, Star has made no showing of secondary meaning. Thus, although the inherent distinctiveness of Star's mark invests it with some strength, *see, e.g., Patsy's*, 317 F.3d at 217, all of the relevant factors combine to indicate that the mark is weak.

2. Similarity

The district court found that the marks lacked similarity. This holding was not clearly erroneous. The court reasoned that while the two "O" marks appear very similar when viewed in isolation, this similarity is tempered by the fact that the respective packaging is very different: the significance of the similarity of the "O" designs is undercut by the dissimilarity of the products' respective labels as a whole. "In assessing similarity, courts look to the overall impression created by the logos and the context in which they are found and consider the totality of factors that could cause confusion among prospective purchasers." *Gruner + Jahr*, 991 F.2d at 1078; *accord Estee Lauder, Inc. v. Gap, Inc.*, 108 F.3d 1503, 1512 (2d Cir.1997); *see also King Research, Inc. v. Shulton, Inc.*, 454 F.2d 66, 68 (2d Cir.1972) (finding similarity factor weighed against finding likelihood of confusion despite similarity of marks themselves because

packaging was very dissimilar). Bacardi's label displays the Bacardi "O" design alone against a clear background, whereas Georgi's label displays the Star "O" alongside a number of other elements and against a white background. Furthermore, each label prominently displays the brand logo-the stylized "Bacardi" logo and bat symbol on the Bacardi O label, and the stylized "Georgi" logo on the Georgi O label. In light of these differences, it cannot be said that the similarity factor clearly favors Star, and the district court's finding that it favored Bacardi was not clear error.

3. Competitive Proximity

Georgi O and Bacardi O are in moderate competitive proximity with one another. While the district court did not clearly state a finding that this factor favored Star, it did state that "Georgi O vodka and Bacardi O rum and malt beverage may be in competitive proximity." *Star Indus., Inc. v. Bacardi & Co. Ltd.*, 2003 WL 23109750, at *3 (S.D.N.Y. Dec.31, 2003). While this seems to imply a finding that the proximity factor favored Star, appellees see it differently, *see* Appellees' Br. at 46, and rely on the facts, found by the district court, that rum and vodka are distinct products typically displayed in separate areas of liquor stores, and that malt beverages and vodka are never sold in the same stores in New York. While the district court did find these facts, they do not require a finding that the respective products were not in competitive proximity, and the district court did not expressly state that they required such a legal conclusion. The district court did seem to imply that the fact that malt beverages and hard liquors are not sold in the same stores in New York requires that the proximity factor be held to favor Anheuser-

Busch as a matter of law. However, this would be erroneous under *Patsy's*, which held products to be in competitive proximity despite the fact that they were never sold in the same stores, where "[t]he products appeal[ed] to the same consumers, and sale locations [we]re geographically close," and consumers who visited stores selling the one product "[we]re reasonably likely to visit nearby retail stores where [the other was] sold, creating the opportunity for confusion." 317 F.3d at 218. Similarly, were we to read the district court as making a factual determination that Georgi vodka and Bacardi rum were not in competitive proximity, we would find that holding to be clearly erroneous, for those two products are sold in the same precise locations, frequented by the same precise consumers.

Appellees contend that Georgi is a "third tier" brand of cheap vodka that cannot be considered to be in competitive proximity with Bacardi's "premium" rum products. The district court made no finding of fact one way or the other on this contention, and the record, while it does make clear that Georgi products are much less expensive than Bacardi's, does not seem to support appellees' contentions regarding the relative quality of the products. Appellees rely also on differences in the way the respective products are marketed, contending that Georgi vodkas are commonly used as well drinks and stocked under the bar or on the bottom shelf of liquor stores, while Bacardi products are allegedly displayed behind the bar and on eye level shelves at liquor stores. The district court did not accept these contentions in its findings of fact, and the record does not seem to clearly support them. In any event, even accepting these contentions as facts, we would still find the proximity factor to favor Star. Georgi

and Bacardi products are marketed to the same consumers in the same bars and stores. That Georgi vodka costs half as much as Bacardi rum and is displayed on different shelves in the same store does not imply that the products are not in competition. The cases relied on by appellees are not binding precedents for this Court and are in any event inapposite. *See National Distillers Prods. Co. v. Refreshment Brands, Inc.*, 198 F.Supp.2d 474, 481-82 (S.D.N.Y.2002) (holding $3/bottle low-alcohol vodka cooler sold in supermarkets not in competitive proximity to $25/bottle "premium" vodka sold in bars and liquor stores); *Jim Beam Brands Co. v. Beamish & Crawford, Ltd.*, 852 F.Supp. 196, 200 (S.D.N.Y.1994) (holding beer and whiskey not in competitive proximity because whiskey not sold on tap at bars).

Appellees are correct to point out that vodka, rum, and malt beverages do reside in distinct submarkets of the market for alcoholic beverages. Vodka and rum, while sold in the same stores to the same consumers for similar purposes, are distinct varieties of product; and this is more so with malt beverages, which are not sold in the same New York stores as vodka and which contain a much smaller concentration of alcohol. Our finding of competitive proximity is thus tempered, and the factor does not overwhelmingly favor Star.

4. Bridging the Gap

"Bridging the gap" refers to the likelihood that the senior user will enter the junior user's market in the future, or that consumers will perceive the senior user as likely to do so. *See Sports Auth.*, 89 F.3d at 963. The district court determined that the evidence that appellees were seeking to "bridge the

gap" between their product markets and Georgi's was weak and therefore held that this factor favored appellees. Star contends that the court should have concluded that this factor favored Star, based on evidence that Bacardi was seeking to capture a share of the flavored vodka market.

Because, as we have held above, Star's and appellees' products are already in competitive proximity, there is really no gap to bridge, and this factor is irrelevant to the *Polaroid* analysis in this case. *See Patsy's*, 317 F.3d at 218 (citing *Paddington Corp. v. Attiki Imps. & Dists., Inc.*, 996 F.2d 577, 586 (2d Cir.1993)).

5. Actual Consumer Confusion

The district court found that the "actual consumer confusion" factor militated against finding a likelihood of confusion. In light of the record, this holding was not clearly erroneous. The court explained that Star's evidence of actual confusion was extremely weak while appellees' evidence, though not flawless, tended to prove that actual confusion was minimal at worst and nonexistent at best. Star's evidence of actual confusion consisted entirely of testimony by several interested witnesses recounting a handful of anecdotes, including a number of hearsay statements by unidentified and unidentifiable declarants. Appellees, on the other hand, submitted consumer surveys tending to rebut charges of actual consumer confusion. Star points out, and the district court noted, various flaws with these surveys. But as appellees correctly point out, Star's failure to present its own consumer survey weighs against a finding of consumer

confusion. *See Merriam-Webster, Inc. v. Random House, Inc.*, 35 F.3d 65, 72 (2d Cir.1994). Weighing appellees' consumer survey evidence, however flawed, against the kind of evidence relied on by Star, we cannot say that the district court committed clear error in finding that this factor favored appellees.

6. Bad Faith

Star failed to meet its burden to prove that Bacardi adopted its "O" design in bad faith. Bad faith generally refers to an attempt by a junior user of a mark to exploit the good will and reputation of a senior user by adopting the mark with the intent to sow confusion between the two companies' products. *See, e.g., Lang*, 949 F.2d at 583. "Selection of a mark that reflects the product's characteristics, request for a trademark search and reliance on the advice of counsel are factors that support a finding of good faith." *Id.* Star concedes Anheuser-Busch's good faith, but contends that Bacardi adopted its "O" design in bad faith. Star does not contend that Bacardi intentionally copied Star's design, but rather that it was "willfully blind" in that its decision makers knew or should have known of Star's "O" but failed reasonably to investigate.

As noted by the district court, Bacardi conducted a trademark search prior to adopting its "O" mark. As noted above, the fact that Bacardi conducted a trademark search would normally be held to militate for a finding that Bacardi adopted its "O" design in good faith. Star contends, however, that the trademark search was obviously flawed and that Bacardi's failure to remedy it by ordering a new trademark

search is evidence of "willful blindness." Star contends, accordingly, that Bacardi's reliance on the advice of counsel should not be held, as it normally would be, to support a finding of good faith, because counsel relied on the clearly flawed search. Bacardi responds that any flaw in its trademark search is somewhat beside the point, as Star made no attempt to register its "O" design as a trademark until after the commencement of the instant litigation-no trademark search, no matter how perfect, would have discovered Star's "O" design trademark.

This Court has never held adoption of a mark with no knowledge of a prior similar mark to be in bad faith even in the total absence of a trademark search, much less on the basis of an allegedly flawed trademark search. *See Savin Corp.*, 391 F.3d at 460. Furthermore, in some cases even where a trademark search resulted in knowledge of the earlier mark, in the absence of additional evidence indicating an intent to promote confusion or exploit good will or reputation, this Court has found the junior user to be in good faith. *See W.W.W. Pharm. Co. v. Gillette Co.*, 984 F.2d 567, 575 (2d Cir.1993), *limited on other grounds by Deere & Co. v. MTD Prods., Inc.*, 41 F.3d 39, 46 (2d Cir.1994).[3]

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3. Star relies primarily on cases from other circuits dealing with so-called "reverse confusion." A "reverse confusion" situation exists where the junior user is able to amass such trademark strength in its imitative mark that the senior user's products become associated with the junior user in the minds of consumers. In this situation, some courts of appeals have held that a junior user's failure to conduct an adequate trademark search may by itself be sufficient to

(Cont'd)

Appendix A

Bad faith may be inferred from the junior user's actual or constructive knowledge of the senior user's mark. *See Paddington*, 996 F.2d at 587. The district court made no factual finding on whether any Bacardi employee or agent was aware of the Star "O" design prior to the introduction of the Bacardi "O" design. Star presented evidence that northeast regional vice presidents of Bacardi had been exposed to the design. But in light of (1) Bacardi's evidence that its "O" design was developed by a third party design firm retained by its marketing executive in charge of the Bacardi O project; (2) the lack of evidence that either the design firm or any Bacardi officials connected to the Bacardi O project had any awareness of the Star "O" design; (3) the lack of direct evidence tending to prove an intent to confuse or to exploit Star's reputation or good will; and (4) the implausibility of the notion that a premier international rum manufacturer would seek to conflate its products with those of a regional discount vodka manufacturer-as appellees argued, "[g]iven [Bacardi's] name recognition and good will, and [Star's] relative obscurity, any confusion would [likely] have redounded to the plaintiff's, rather than the defendant's, benefit," *W.W.W. Pharm. Co.*, 984 F.2d at 575-Star has not met its burden of proving bad faith.

(Cont'd)

prove that an imitative mark was adopted in bad faith. *See, e.g., Fisons Horticulture, Inc. v. Vigoro Indus., Inc.*, 30 F.3d 466, 480 (3d Cir.1994). However, this particular holding is at odds with this circuit's precedents, which preclude finding bad faith on the basis of an inadequate trademark search, at least in the absence of evidence that the inadequate design or the failure to correct inadequacies in the search was motivated by an intent to sow consumer confusion or to exploit the good will or reputation of the senior user. *See Sunenblick v. Harrell*, 895 F.Supp. 616, 633 (S.D.N.Y.1995).

7. Quality

The quality factor does not support either party. The district court made no explicit finding as to the respective quality of the parties' products, aside from noting that Georgi's vodka was much cheaper than Bacardi's rum. The record is insufficient to support a finding that either product is markedly superior in quality to the other. Each party claims that its product is "premium." Appellees disparage Georgi as a "third tier" vodka, but the record evidence does not support their disparagement of its quality; rather, it merely demonstrates its inexpensiveness. On the other hand, Star has not even alleged that Bacardi O is of inferior quality to Georgi O. This makes some sense, as a very marked difference in quality between the two products would militate against finding a likelihood of confusion as consumers "will be less likely to assume that the senior user whose product is high-quality will have produced the lesser-quality products of the junior user." *Savin Corp.*, 391 F.3d at 461. But if there is no reduction in quality in the Bacardi product, then Star is less likely to have suffered any harm, as the quality factor of *Polaroid* "is primarily concerned with whether the senior user's reputation could be jeopardized by virtue of the fact that the junior user's product is of inferior quality." *Sports Auth.*, 89 F.3d at 965. In any event, absent factual findings or evidence one way or the other, this factor is at most evenly balanced.

Appendix A

8. Consumer Sophistication

The "consumer sophistication" factor militates against finding a likelihood of confusion. The district court appears to have relied heavily on this factor in its overall *Polaroid* analysis, noting that alcoholic beverage consumers are certainly sophisticated enough to distinguish rum from vodka. While humorous, and ultimately correct in its conclusion, the court's analysis of this point was flawed. As we noted above, Star asserts associational confusion, not direct confusion, and so it is irrelevant whether consumers are capable of distinguishing rum from vodka. At issue is whether consumers in this market, confronted with products bearing similar stylized letter "O" designs on their labels, are generally sophisticated enough to understand that Bacardi's use of a large elliptical orange "O" on its orange-flavored rum bottles is not indicative of a licensing or sponsorship agreement with Star.

Our analysis of consumer sophistication "consider[s] the general impression of the ordinary purchaser, buying under the normally prevalent conditions of the market and giving the attention such purchasers usually give in buying that class of goods." *Sports Auth.*, 89 F.3d at 965 (internal brackets omitted). Consumer sophistication may be proved by direct evidence such as expert opinions or surveys. In addition, in some cases a court is entitled to reach a conclusion about consumer sophistication based solely on the nature of the product or its price. *See Patsy's*, 317 F.3d at 219 (noting that consumer sophistication is generally low in dealing with cheaper products or products sold in the rough-and-tumble world of the supermarket). In the instant case, the parties

have not submitted any relevant expert opinions or surveys, and we are left to rely solely on such indirect indications of sophistication.

The record reveals that Georgi orange-flavored vodka retails for about $12 a liter, and Bacardi O costs about twice as much. Liquor stores, which sell a limited variety of products, are not as cluttered and frantic as the supermarkets described in *Patsy's*. In comparison with the items available at such supermarkets, $24 bottles of liquor are relatively expensive. We conclude that the balance tips in favor of Bacardi with respect to consumer sophistication. Unhurried consumers in the relaxed environment of the liquor store, making decisions about $12 to $24 purchases, may be expected to exhibit sufficient sophistication to distinguish between Star's and Bacardi's products, which are differently labeled. *See McGregor-Doniger Inc. v. Drizzle Inc.*, 599 F.2d 1126, 1137-38 (2d Cir.1979) (explaining that greater sophistication is required to distinguish identical products than to distinguish products that are differently labeled); *cf. Playtex Prods.*, 390 F.3d at 162 (noting that "consumers cannot be expected to invest much time or effort in distinguishing among inexpensive bath tissues"). Consumers may be expected to educate themselves sufficiently to recognize the respective brand names, to understand the respective stature of the two companies, and thus to understand how fanciful the notion is that Bacardi would seek the benefit of Star's reputation and good will by entering into a licensing agreement to secure utilization of its "O" design. Rather, as the district court assumed, such consumers would generally be expected to understand that Bacardi's use of the letter "O" was intended to indicate orange flavor,

and not a marketing or sponsorship arrangement with Star. The district court's finding to this effect, while relying on some flawed analysis, was ultimately correct.

B. Balancing

The district court concluded correctly that, balancing all of the *Polaroid* factors, confusion was not likely. To summarize our findings above: five factors (strength of mark, similarity, actual confusion, bad faith, and consumer sophistication) favor appellees, one favors Star (competitive proximity), and two are neutral (bridging the gap and quality). Furthermore, Star's showing of proximity is not overwhelming. Because the various products reside in distinct identifiable submarkets, we found only moderate competitive proximity. On the other hand, as we have discussed, Star's evidence of actual consumer confusion and bad faith was extremely weak, and these factors therefore clearly tipped in appellees' favor. Thus, Star made a strong showing on none of the *Polaroid* factors, and a weak showing on one, while five of the six that were other than neutral came out in favor of appellees, two of them strongly. Reviewing the district court's balancing de novo, we find that the district court's balancing was correct and that the overall balance does favor appellees. Star has therefore not demonstrated a likelihood of consumer confusion, and has not met its burden to prove trademark infringement.

Appendix A

CONCLUSION

For the foregoing reasons, we affirm the district court's judgment for defendants-appellees.

APPENDIX B — OPINION AND ORDER OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK DATED DECEMBER 31, 2003

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

No. 02 Civ. 4239 (HB)

STAR INDUSTRIES, INC.

Plaintiff,

-against-

BACARDI & COMPANY LTD. CORP.
and BACARDI U.S.A., INC.
and ANHEUSER-BUSCH, INC.

Defendant.

OPINION & ORDER

Hon. HAROLD BAER, JR., District Judge[1]:

Star Industries, Inc. ("Star") brought suit against defendants Bacardi & Company Ltd. Corp. and Bacardi U.S.A., Inc. (collectively "Bacardi") and Anheuser-Busch, Inc. ("Anheuser"). Star claims that defendants, in bad faith,

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1. Michelle Johnson, a fall 2003 intern in my Chambers and a second-year law student at St. John's University School of Law, provided substantial assistance in the research and drafting of this Opinion.

employ an "O" design on their respective vodka and malt beverage products, which is confusingly similar to the "O" design on its "Georgi O" orange-flavored vodka. Star asserts claims for (1) unfair competition under § 43(a) of the Lanham Act and New York common law, (2) trademark dilution under N.Y. General Business Law § 360-1, and (3) deceptive acts and practices under N.Y. General Business Law § 349. Star seeks a permanent injunction and recovery of lost profits. A bench trial was held on July 25 and July 28-31, 2003, and the parties' post-trial memoranda of law were filed on August 12, 2003. The lawsuit was *sub judice* after summation on August 14, 2003. For the following reasons, Star's request for injunctive relief, to prohibit the sale of certain Bacardi and Anheuser products in locations where Georgi O is distributed, is denied, and consequently, its request for lost profits is also denied. Since there is neither actual confusion nor the likelihood of confusion, the state claims are dismissed as a matter of law.

I. FINDINGS OF FACT

The asserted mark was first used on or about June 1996 by Star on its orange flavored Georgi O vodka, which was introduced as an extension of its extant Georgi brand vodka line. (Pl. Post-Trial Mem. at 1; Joint Pretrial Order ("JPTO") at 3). Each Georgi O bottle is labeled with the "Georgi" word mark, which is located above a large crest. Below the crest, the label depicts an orange slice and the phrase "Orange Flavored Vodka." (Pl.Ex. 11). The phrase and crest are encircled by the Georgi "O," which appears as an orange-colored oval trimmed in gold. Star applied to register "Georgi O" as a work mark with the United States Patent and

Trademark Office ("PTO") in September 1996. (Pl.Ex. 4). In April 1997, the trademark examiner rejected Star's application on the basis that consumers would not recognize the oval that encircles the crest as the letter "O" in the "Georgi O" word mark, but rather a design element that simply surrounds the Georgi crest. *Id.* The examiner concluded that consumers would read the word mark only as "Georgi", not "Georgi O". *Id.*

Since 1980, Star has utilized the services of Heim Advertising, Inc. ("Heim"), an independent advertising agency. To date, Star has spent a total of $472,000 on advertising and promotions to promote Georgi O and its other lines of flavored vodkas, including store displays, promotional T-shirt and hat giveaways and some print, radio and trade advertisements. (Pl.Exs.28-32, 213). Some of the merchandise bears the "O" design alone (Pl.Exs.28-29), while other items display both the "O" and the "Georgi" name. (Pl.Exs.30-32). In addition, Star promoted its Georgi vodka products through trade shows and publications, and advertised Georgi O on the side of delivery trucks of its New York distributor, Premier. (Valenti St. ¶¶ 15-17). Beginning in 2002, plaintiff also ran bus advertisements and purchased billboards to promote all of the Georgi flavored vodka brands through featuring the Georgi O vodka bottle. The only promotional items that specifically promoted the "O" design alone were hats and T-shirts.

Approximately 12,500 cases of Georgi O vodka have been sold in the state of New York to date, with small numbers of cases having been sold in New Jersey, Georgia and

Missouri.[2] (Pl.Exs.24, 26-39, 53, 55, 57, 62-62a, 76, 200); Valenti St. ¶ 8; Defs' Tr. Ex. IW ¶¶ 2-6. Georgi O represents less than one percent of all vodka sales in the United States, with a total of 14,000 cases sold during the last eight years. (Tr. 88: 12-20; Pl.Ex. 76). Star projects that its total sales of Georgi O from 1996 to 2003 is just under $600,000 (Valenti Decl. ¶ 8).

On March 30, 2000, Bacardi conducted a trademark search to discover other similar marks that used the letter "O" in preparation for the release of their new orange-flavored rum, Bacardi O ("Bacardi O"). The search did not reveal any similar mark. On or about August 2001, Bacardi introduced Bacardi O to the market. The label of each bottle of Bacardi O rum has the "Bacardi" name toward the top of the label and an orange, gold-trimmed oval below the name, to indicate that the product is orange flavored. (Romanach Dep. 39:3-6). On or about March 2003, pursuant to a license agreement with Bacardi, Anheuser introduced an orange flavored malt beverage called Bacardi Silver O3 ("Bacardi O"3); (JPTO at 4). The primary difference between the Bacardi "O" label on the rum bottle and the malt beverage bottle is that the latter product superscripts the number "3" after the "O."

On June 23, 2003, Star filed another application with the PTO to register its "O" design as a trademark. At the time of trial (with no more recent indications to the contrary), the PTO had yet to respond to Star's application. Accordingly, Star's "O" mark is presently unregistered.

2. Georgi O sales, as of March 2003, totaled 750 cases in New Jersey, 20 cases in Georgia, and 8 cases in Missouri.

Appendix B

Although Georgi O and Bacardi O are both sold in liquor stores, Georgi O is generally displayed with other vodka products, while Bacardi O is generally displayed with other rum products. Because New York State prohibits the sale of hard liquors and malt beverages in the same store, the Bacardi O3 rum product is primarily sold in grocery stores in individual serving sizes and is not available on liquor store shelves.[3] *See* N.Y. Alcoholic Beverage Control Law § 54 (Consol.2003) (sale of off premise consumption of beer will be granted only to a grocery store and drug store); N.Y. Alcoholic Beverage Control Law § 63 (Consol.2003) (sale of off premise consumption liquor precludes the sale of off premise consumption beer).

II. CONCLUSIONS OF LAW

A. Separability of Star's "O" Mark From the Product Label

The "O" design contained on Star's Georgi O label encircles the Georgi crest, the words "Orange Flavored Vodka", and the drawing of an orange slice. (Pl.Ex. 11). Defendants contend that Star's "O" is intertwined with other graphic elements on the Georgi O product, and that its "O" must therefore be analyzed in view of the commercial impression created by the Georgi O label, as a whole. *See Estate of P.D. Beckwith, Inc. v. Comm'r of Patents*, 252 U.S. 538, 545-46, 40 S.Ct. 414, 64 L.Ed. 705 (1920); *Cline v. 1-888-Plumbing Group. Inc.*, 146 F.Supp.2d 351, 362

3. The Court focuses on the New York market because, as explained *supra*, New York is the only venue where Georgi O is sold in any substantial quantity.

(S.D.N.Y.2001). Here, plaintiff seeks to isolate the "O" from the rest of the bottle label and assert its protectability as a separate and distinct element. I find little in the record, however, to support Star's claim that it has attempted to promote or emphasize the Star "O," as a distinct and separate element, apart from the remainder of the Georgi O label. Out of its over two hundred exhibits, only two (both hats) show the "O", without the Georgi name and crest. (Pl.Exs.28, 29). Although Star purchased 5,000 of these hats in 1997, it failed to provide any evidence that it distributed these hats at any promotional events. (Tr. 126: 6-8). Consequently, plaintiff offers little evidence to demonstrate that its "O" design would be recognized by ordinary consumers as a mark that is separate and distinct from the rest of the label. In view of the lack of evidence that Star has created a separate commercial impression in its "O" design, I agree with defendants that plaintiff has failed to prove that its "O" can alone function as a protectable mark. *See American Can Co. v. Marcal Paper Mills, Inc.*, 152 U.S.P.Q. 772, 776 (T.T.A.B.1967); *Marcalus Mfg. Co. v. Watson*, 156 F.Supp. 161, 163-164 (D.D.C.1957), *aff'd* 258 F.2d 151, 152 (D.C.Cir.1958) (holding that ovals presented to consumers along with the product's name were not protectable trademarks because the ovals shown independently could not establish the origin of the products; *In re Hillerich & Bradsby Co.*, 40 C.C.P.A. 990, 204 F.2d 287, 290-291 (C.C.P.A.1953) (holding that failure to prove that consumers associate the oval as a direct reference to the product precludes trademark protection). Rather, the Georgi word mark combined with the crest and the "O," together form a single unified design that must be analyzed in its entirety for infringement purposes.

Appendix B

B. Consumer Confusion Arising From Georgi "O" Label

If we apply the now famous seven-step analysis spelled out by Judge Friendly in *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir.1961), the plaintiff fairs no better. Those factors are "(i) the strength of the claimant's mark; (ii) the degree of similarity between the claimant and defendant's marks; (iii) the proximity of the products; (iv) the likelihood that either party will 'bridge the gap' and use the mark on products closer to the other's areas of commerce; (v) the sophistication of the buyers; (vi) the quality of the defendant's product; (vii) actual confusion; and (vii) the defendant's good or bad faith." *See Scholastic, Inc. v. Stouffer*, 221 F.Supp.2d 425, 434 (S.D.N.Y.2002), paraphrasing *Polaroid Corp.* 287 F.2d at 495. While the "O" on plaintiff's and defendants' products are similar, which increases the likelihood of confusion, the other elements of the label, where the products are displayed, and the fact that one is rum an the other vodka, sufficiently distinguish the products to prevent consumer confusion.

In New York, where the vast majority of Georgi O is sold, New York state law prohibits the retail sale of malt beverages and liquor in the same store, which reduces the likelihood of confusion between Bacardi O3 and Georgi O. Because Bacardi O rum and Georgi O vodka are the only two products that may be sold on the same premises, albeit with the plaintiff's product at half the price, (Bacardi Post Trial Mem. at 12), they present the sole possibility for the likelihood of confusion (Def. Exs. AF, CO, HS; Levanthal Dep. 25:14-25). While Georgi O vodka and Bacardi O rum and malt beverage may be in competitive proximity, the

apparent presence of their names, printed on the front of the bottle in large and clear lettering, easily reduces any likelihood of confusion, particularly with plaintiff's conscious labeling of their product as "orange-flavored vodka." Consumers are sophisticated enough to distinguish between vodka and rum. *See, e.g. Buitoni Foods Corp. v. Gio. Buton & C. S.p.A.*, 680 F.2d 290, 293 (2d Cir.1982) ("we find no error in the court's finding that consumers of the Buton and Buitoni products at issue are sophisticated enough to distinguish table wine from aperitifs, brandies, and liqueurs."). It stretches credulity to believe that a sober consumer would go to a store, intending to purchase Georgi O vodka, and because of one graphic similarity on the label, purchase Bacardi's orange-flavored rum instead. While it is possible that Bacardi or Anheuser could attempt to create consumer confusion by using a mark on products that are close to plaintiff's area of commerce (sometimes known as "bridging the gap"), the existence of other brands of vodka that used an "O" to indicate orange-flavor prior to Georgi, (Tr.96: 12-15, 97: 9-11) undercuts plaintiff's argument that defendants were seeking to bridge the gap between their accused products and *Georgi's. See, e .g. We Media Inc. v. Gen. Elec. Co.*, 218 F.Supp.2d 463, 475 (S.D.N.Y.2002) (denying Lanham Act claim partly because "[p]rior to defendants' selection of the name 'WE: Women's Entertainment', and within WEM's established market of print communications, a number of other magazines used the pronoun (or phonetic sound) 'we' in their names.").

I fail to find compelling evidence of actual confusion, in the form of studies or surveys. Most notably, plaintiff failed to present any study on actual confusion. While defendants

produced two surveys to demonstrate that there is no actual confusion between their respective products and Georgi O, both surveys are partially or wholly procedurally flawed. The Anheuser-Busch survey fails to present both Bacardi O3 and Georgi O to survey participants, but rather presents only Bacardi O3. *See Simon & Schuster, Inc. v. Dove Audio, Inc.*, 970 F.Supp. 279, 291 (S.D.N.Y.1997)(held level of confusion, whether products emanated from a common source and likelihood of confusion were not demonstrated when only one party's products was shown in a consumer study.); Defs. Ex. HN. Further, both the Bacardi and the Anheuser-Busch surveys are of less import as they were each conducted in some markets where the Georgi O product is not even sold. *See Hutchinson v. Essence Communications, Inc.*, 769 F.Supp. 541, 560 (S.D.N.Y.1991)(when products are of the same type, the relevant market is one where both products are available); Defs. Exs. BH, HN. Notwithstanding the inherent flaws in Anheuser's survey, the fact that New York law, as stated *supra*, prohibits the sale of malt beverages and liquors on the same premise for off-premise consumption provides independent evidence that actual confusion is highly unlikely. Defendants' confusion surveys in areas where Georgi O is sold shows that actual confusion between Georgi O vodka and Bacardi O rum is, at best, minimal, and indeed, is not any more likely than confusion with any other liquor product. Def. Ex. BH. The survey data presented by defendants, while not dispositive, adds weight to the evidence that actual confusion is absent.

Further, even plaintiff's anecdotal evidence of confusion was unsupported, i.e. plaintiff was unable to identify a single individual or produce a single witness to substantiate the

testimony of third-party witnesses. Given the anonymity of these allegedly confused individuals, such evidence is of little probative value. Lastly, as to the bad faith branch of the *Polaroid* tree, plaintiff has failed to demonstrate that defendants adopted the mark in bad faith. *See infra*, p. 11. In summary, the totality of evidence in connection with each prong of the *Polaroid* test fails to support, by a preponderance, that consumers would confuse defendants' products with plaintiff's.

C. Protectability Of The Star "O" As A Separate Trademark?

1. Plaintiff's Burden

Assuming, *arguendo*, that Star's oval-shaped "O" mark could properly be severed from the rest of the design elements on the Georgi vodka label, I would still find for the defendants because plaintiff has not shown that its mark is a protectable trademark. To prevail on a claim under § 43(a) of the Lanham Act, the accuser must "demonstrate that it has a valid mark entitled to protection" and only after the accuser has met this initial burden may a court consider whether the accused's use of the mark is "likely to cause confusion." *Gruner + Jahr USA Publishing, Div. of Gruner + Jahr Printing & Publishing Co. v. Meredith Corp.*, 991 F.2d 1072, 1075 (2d Cir.1993); *see also EMI Catalogue Partnership v. Hill, Holliday, Connors, Cosmopulos Inc.*, 228 F.3d 56, 62 (2d Cir.2000)("A plaintiff claiming unfair competition under § 43(a) must show that it owns a valid trademark eligible for protection"). "[W]here, as here, the mark is not registered . . . the burden is on plaintiff to prove that its mark is a valid

trademark." *Reese Publ'g Co. v. Hampton Int'l Communications, Inc.*, 620 F.2d 7, 11 (2d Cir.1980). "An identifying mark is distinctive and capable of being protected if it either (1) is inherently distinctive or (2) has acquired distinctiveness through secondary meaning." *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 769, 112 S.Ct. 2753, 120 L.Ed.2d 615 (1992).

Star's "O", although representative of the letter "O", is presumed to be seen simply as a geometric shape. The trademark examiner at the PTO rejected plaintiff's word mark application for "Georgi O" because the examiner determined that the "O" would not be distinguished by consumers as a letter. (Pl.Ex. 4). Star presents no evidence to rebut this presumption arising from the PTO's determination. Given the lack of evidence to show the PTO's determination was clearly erroneous, I will afford deference to the PTO's finding and analyze Star's mark under the standard applied to geometric shapes. Although the PTO is not necessarily the last word with respect to a mark and its protectability, where no evidence is introduced to the contrary, it is presumed to have acted properly. *Thomas America Corp. v. Fitzgerald*, 869 F.Supp. 221, 225 (S.D.N.Y.1994)(holding that qualified government agency is presumed to have properly done its job unless evidence indicates otherwise); *see In re Brana*, 51 F.3d 1560, 1568 (Fed.Cir.1995)(holding that PTO decisions based upon facts should be given deference by the court unless the decision is found to be clearly erroneous); *Canady v. Erbe Elektromedizin GmbH*, 271 F.Supp.2d 64, 79 (D.D.C.2002)("PTO is a technically specialized administrative agency . . . and the court will give deference to its decisions.").

Appendix B

Both case law and recognized treatises have spelled out the protectability of geometric shapes. "Most common geometric shapes are regarded as not being inherently distinctive, in view of the common use of such shapes in all areas of advertising." I MCCARTHY ON TRADEMARKS § 7:29. "[B]asic [geometric] shapes such as circles, squares, *ovals* and rectangles, when used as vehicles for the display of a word mark, do not indicate the origin of the goods and hence cannot be appropriated exclusively, absent a showing of secondary meaning." *Dow Corning Corp. v. Applied Power Indus., Inc.*, 322 F.Supp. 943, 945 (N.D.Ill.1970)(emphasis added); *see also Wiley v. American Greetings Corp.*, 762 F.2d 139, 142 (1st Cir.1985); *Blau Plumbing, Inc. v. S.O.S. Fix-It, Inc.*, 781 F.2d 604, 610 (7th Cir.1982); *Marcalus Mfg. v. Watson*, 258 F.2d 151, 152 (D.C.Cir.1958); *Seabrook Foods, Inc. v. Bar-Well Foods, Ltd.* 568 F.2d 1342, 1344-45 (C.C.P.A.1977); *Am. Can Co. v. Marcal Paper Mills. Inc.*, 152 U.S.P.Q. 772, 776 (T.T.A.B.1967); *In re Hillerich & Bradsby Co.*, 40 C.C.P.A. 990, 204 F.2D 287, 289 (C.C.P.A.1953); 1 MCCARTHY ON TRADEMARKS § 7:29; 3 LOUIS ALTMAN, ED. CALLMANN ON UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES, § 18:25 (4TH ED.2003).

Even if I assume that consumers would recognize the "O" design in Star's mark to be a letter, Star does not deny that the "O" mark conveys to the consumer that the product is orange flavored. (Pl. Post-Trial Mem. at 2)("Star's 'O' design . . . secondarily conveys orange flavor."). The "O" mark describes a quality or characteristic of the goods, *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 11 (2d Cir.1976), which ordinarily, as a descriptive mark, is

not protectable unless it also has acquired secondary meaning. *See, e.g., Nature's Bounty, Inc. v. Basic Organics*, 432 F.Supp. 546, 552 (E.D.N.Y.1977) (holding term "B-100" to be merely descriptive of vitamins and not subject to infringement without proof that secondary meaning has attached to the term); *Bristol-Myers Squibb Co. v. McNeil-P.P.C., Inc.*, 786 F.Supp. 182, 193 (E.D.N.Y.1992) (rejecting claim that letters are protectable without proof of secondary meaning). Plaintiff argues that § 1213.06 and § 1211.01(b)(ii) of the Trademark Manual of Examining Procedures ("TMEP") indicate that its "O" mark is protectable without a showing of secondary meaning. TMEP §§ 1213.06, 1211.01(b)(ii) (3rd ed.2003). Section 1213.06, titled "Entire Mark May Not Be Disclaimed," pertains to the protectability of a combination of elements in a mark, in which the generic elements of the mark, standing alone, would not be registrable. Plaintiff recites from § 1213.06 that "[e]xaminers must look for combination of elements in the mark, or something of sufficient substance or distinctiveness to make the composite registrable." TMEP § 1213.06. Section 1211.01(b)(ii), entitled "Stylization or Design Element," refers to the registration of a surname when it is combined with distinctive stylization or a design element. The TMEP states that a surname, which ordinarily is not registrable without proof of secondary meaning, may be protectable if dressed with stylized lettering that is distinctive enough to create a separate commercial impression. TMEP § 1211.01(b)(ii). Star submits nothing but its own conclusory statement to support its argument that the orange border and gold outer trim of its "O" make it so distinctive as to negate the primary impression on consumers that the "O" is simply a geometric shape (as determined by the PTO), that encircles other elements on

the Georgi O label. I agree with defendants that Star cannot demonstrate that its mark is protectable without further evidence that secondary meaning has attached to the mark. Accordingly, Star bears the burden of proving by a preponderance of evidence that its "O" mark has become endowed with secondary meaning in the mind of the public by the time and at the place that Bacardi introduced its mark. *See, e.g., Papercutter Inc. v. Fay's Drug Co.*, 900 F.2d 558, 564 (2d Cir.1990) ("owner of a descriptive mark must demonstrate that the mark had acquired secondary meaning before its competitor commenced use of the mark")).

2. Secondary Meaning

The Second Circuit enumerated the following factors to establish whether secondary meaning has attached to a mark: (1) advertising; (2) consumer studies linking the mark to a source; (3) unsolicited media coverage of the product; (4) sales success; (5) attempts to plagiarize the mark; and (6) length of exclusivity of the mark's use. *Centaur Communications v. A/S/M Communications*, 830 F.2d 1217, 1222 (2d Cir.1987). "In assessing the existence of secondary meaning, no single factor is determinative, and every element need not be proved." *Thompson Medical Co., Inc. v. Pfizer Inc.* 753 F.2d 208, 217 (2d Cir.1985) (internal quotes and citations omitted). To establish that the disputed mark is protectable, Star would have had to produce strong evidence that consumers identify the asserted "O" mark with the source of the vodka when they see this design alone.[4] *In re Haggar*

4. Star's additional contention that their "O" is a background design does not change this evidentiary prerequisite.

Co., 217 U.S.P.Q. 81 (T.T.A.B.1982). Analyzing the evidence collectively, I find that Star has failed to meet its burden.

No evidence was introduced to even suggest that the plaintiff's advertising created a separate commercial impression made by the disputed mark before the advent of Bacardi's orange-flavored rum. Indeed, Richard Heim, president of Star's advertising agency, testified that the first consumer advertising done to promote Georgi "O" vodka specifically, began in 2002, *after* Bacardi's release of its orange-flavored rum product in August 2001. (Tr. 320: 13-22).[5] Since August 2001, Bacardi has spent $10 million to promote its accused product, easily dwarfing the amount spent by Star since 1996 for all of its flavored vodkas put together. The comparatively small advertising campaign initiated by Star *after* Bacardi's release of its product fails to demonstrate secondary meaning prior to the introduction of the Bacardi product.

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5. Q. And it's also true, is it not, that in 1996 a decision was made not to spend any advertising money on [Georgi O vodka]?

   A. That's correct.

   Q. And it's also true, is it not, that in 1997 a decision was reached between you and Mr. Silver not to spend any advertising money [on Georgi O vodka]?

   A. That's correct.

   Q. And so the first advertising that was ever done for Georgi orange-flavored vodka was in calendar year 2002, that right?

   A. Consumer Media Advertising.

Further, plaintiff conducted no consumer studies to demonstrate that consumers linked the "O" mark to Star or the Georgi brand name. While plaintiff successfully sold its product in a limited number of states, its overall sales volume relative to the sales volume achieved by each of the defendants, is hardly impressive. Star asserts that its Georgi "O" vodka sales have grown steadily since the introduction of the product line in June 1996, but total sales of Georgi vodka in any form whatsoever represent no more than one percent of annual vodka sales in the United States (Tr. 88: 12-20), with Georgi O as a small percentage of that one percent. Plaintiff's sales figures fail to support its claim that secondary meaning attached to its "O" mark before Bacardi O's 2001 release.

As for attempts to plagiarize a mark, the intent to copy a mark may be inferred from the defendant's prior knowledge of the plaintiff's mark along with the similarity between the parties' marks. 4 CALLMANN § 21:52 (4th ed.2003); *see Clinique Laboratories, Inc. v. Dep Corp.*, 945 F.Supp. 547, 555 (S.D.N.Y.1996); *Frehling Enterprises, Inc. v. International Select Group, Inc.*, 192 F.3d 1330, 1340 (11th Cir.1999), *cert. denied*, 530 U.S. 1214, 120 S.Ct. 2216, 147 L.Ed.2d 249 (2000). Plaintiff alleges that Tammy Dowling, a former sales and promotions manager for Premier, the plaintiff's distributor, and now a Bacardi employee, was aware of Star's "O" design and had contact with a Bacardi marketing executive before Bacardi released its accused product. However, Dowling testified that while she was aware of the Georgi O product when she learned of the Bacardi O launch, and was familiar with the Georgi O promotional hat when she first saw the Bacardi O promotional T-shirt, she

did not inform the Bacardi marketing staff of the Georgi products because "it never occurred to [her] that one had anything to do with the other." (Tr. 126: 9—133: 1). When use of plaintiff's trademark has come to the attention of defendant's agents whose duties are of the type that would require sensitivity to plaintiff's marks in the marketplace, defendant may be charged with knowledge of the mark. 4 CALLMAN § 23:23 (4th ed.2003). Despite Dowling's awareness of the Georgi O product, plaintiff's failure to prove that Dowling realized that there was a similarity between the Georgi and Bacardi products, and if so, that she had any duty to convey that information to anyone at Bacardi, precludes an inference of actual or constructive knowledge or an indication of bad faith. *Id.* Further, plaintiff has failed to demonstrate that the purpose of Dowling's contact with a marketing executive at Bacardi had anything to do with a scheme to copy plaintiff's mark. Although Bacardi's use of gold detailing in its "O" is on first blush suspicious, as it turns out, Bacardi had used similar detailing on its other flavored-vodkas, before the advent of the Georgi O product. (Def.Ex. HS). As for defendant Anheuser, plaintiff admits that it has no evidence that Anheuser ever attempted to plagiarize its "O" design to deceive consumers. (Tr. 95: 6-18).

Plaintiff argues that defendants' insufficient trademark search evidences their bad faith in adopting the mark. The initial trademark search conducted on behalf of Bacardi consisted of only 25 possible search strategies to find marks that contained the letter "O." (Defs.Ex. FA). A later search submitted by plaintiff containing 32 search strategies, which included a search for marks that consist of a word followed

by the letter "O". uncovered the abandoned Georgi O vodka trademark application. (Pl.Ex. 154). Even when a mark is not registered and is descriptive, bad faith may be inferred if only a limited federal search is conducted and counsel's suggestion for an additional broader search is not heeded. *See International Star Class Yacht Racing Ass'n v. Tommy Hilfiger, U.S.A ., Inc.*, 80 F.3d 749, 753 (2d Cir.1996). Here, defendant's original request for a "Bacardi O" search was not performed as instructed by Bacardi's in-house counsel, Linda D' Aquilar. Instead, the outside search firm performed a search for just the "O" mark, which revealed more than 3,000 results. The actual results of the search that were shown to the defendant were narrowed and some marks that contained a word followed by the letter "O" were excluded. (D'Aguilar Dep. 29:9-17; Defs. Ex. FA). The results of the search reported to Bacardi were specified and narrowed by the *outside* search company. and thus, the failure to uncover plaintiff's word mark application does not appear to arise from the *defendant's* bad faith effort to remain uninformed of the allegedly infringed mark. While Bacardi's 9-month delay between its initial search and its PTO application for a service mark registration, which incorporated the "O" at issue in this case, raises some concern, again, the delay, without more, is gossamer, and fails to demonstrate that the defendant acted in bad faith. (Defs.Ex. FA); (Pl.Ex. 151); (D'Aguilar Dep. 42: 17-24).

Finally, plaintiff has not exclusively used the "O" mark for any substantial length of time. Star used their particular "O" since June 1996, without any similarity in the alcoholic beverage industry, until the entrance of the Bacardi product in August 2001. Exclusive use is not proven, however, based

solely upon the time of the initial use of the mark. *See, e.g., Artcraft Novelties Corp. v. Baxter Lane Co.*, 685 F.2d 988, 990-91 (5th Cir.1982) (even though plaintiff used trademark 20 years before defendant, court held that plaintiff's use was not exclusive because plaintiff's efforts did not result in the product's secondary meaning). And, during trial, defendants produced evidence of other orange flavored vodkas, like Stoli O, that had been on the market before Georgi's and are identified with an O. (Tr.96: 12-15, 97: 9-11). A third-party's extensive use of a mark lessens the possibility that a purchaser would be confused and believe the mark came from a particular single source. *Gruner + Jahr*, 991 F.2d 1078, citing *Lang v. Retirement Living Pub. Co.*, 949 F.2d 576, 581 (2d Cir.1991).

The evidence offered by the plaintiff to support a finding of secondary meaning fails to demonstrate that the public identifies its "O" as indicative of the source. Without proof of secondary meaning, "there is no need for this Court to examine the second part of the test for trademark infringement—the likelihood of confusion between the two marks." *Ideal World Marketing, Inc. v. Duracell, Inc.*, 15 F.Supp.2d 239, 246 (S.D.N.Y.1998), citing *Thompson Med. Co.*, 753 F.2d 208, 217 (2d Cir.1985). Since Star has failed to prove that its asserted mark is valid, and therefore, a protectable mark, its Lanham Act claim must fail.

D. Validity Of State Claims

To assert a claim under New York's common law trademark infringement or unfair competition statute, N.Y. General Business Law § 360-1, "the plaintiff must show

either actual confusion in an action for damages or a likelihood of confusion for equitable relief". *Malaco Leaf, AB v. Promotion in Motion, Inc.*, 2003 U.S. Dist. LEXIS 17086, at *53; *Jeffrey Milstein, Inc. v. Greger, Lawlor, Roth, Inc.*, 58 F.3d 27, 34 (2d Cir.1995), 58 F.3d 27, 35 U.S.P.Q.2D (BNA) 1284, *Kaufman & Fisher Wish Co. v. F.A.O. Schwartz*, 184 F.Supp.2d 311, 324 (S.D.N.Y.2001), *aff'd*, 01-9370, 2002 WL 31520492 (2d Cir. Oct 31, 2002). If the plaintiff fails to show actual confusion or likelihood of confusion under the federal Lanham analysis, the state claims must also be dismissed as a matter of law. *Id.*; *Scholastic, Inc. v. Stouffer*, 221 F.Supp.2d 425, 433 (S.D.N.Y.2002); *Girl Scouts v. Bantam Doubleday Dell Publishing Group, Inc.*, 808 F.Supp. 1112, 1131 (S.D.N.Y.1992), *aff'd*, 996 F.2d 1477 (2d Cir.1993). Because plaintiff failed to demonstrate a substantial amount of actual confusion or likelihood of confusion, Star's N.Y. General Business Law § 360-1 claim is dismissed. *See, e.g., Winner Int'l LLC v. Omori Enters.*, 60 F.Supp.2d 62, 73 (E.D.N.Y.1999) ("Since the standards for unfair competition under New York law is essentially the same as that under § 43(a) of the Lanham Act, and the court will deny plaintiff's Lanham Act claims, a preliminary injunction based on state unfair competition law is unwarranted."), citing *Safeway Stores, Inc. v. Safeway Properties, Inc.*, 307 F.2d 495, 498 n. 1 (2d Cir.1962); *Tri-Star Pictures, Inc. v. Unger*, 14 F.Supp.2d 339, 363 (S.D.N.Y.1998).

Star's claim under New York's deceptive acts and practice law, N.Y. General Business Law § 349, must also fail upon similar grounds. Plaintiff could not demonstrate that Bacardi or Anheuser used a material deceptive act or

practice directed to Star's consumers that caused actual harm (*i.e.*, where defendants' acts were likely to mislead a reasonable consumer.). *See Boule v. Hutton*, 328 F.3d 84,93-94 (2d Cir.2003); *Maurizio v. Goldsmith*, 230 F.3d 518, 521 (2d Cir.2000); *Marcus v. AT & T Corp.*, 138 F.3d 46, 63 (2d Cir.1998).

III. CONCLUSION

For the foregoing reasons, I find Star's "O" design is not a protectable mark and plaintiff's motion for injunctive relief and for lost profits are denied. The Clerk of the Court is directed to close all pending motions and remove this case from my docket.

SO ORDERED.
New York, New York
December 31, 2003

s/ Harold Baer, Jr.
Harold Baer, Jr.

APPENDIX C — MEMORANDUM OPINION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK DATED MAY 8, 2003

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

02 Civ. 4239 (HB)

STAR INDUSTRIES, INC.

Plaintiff,

-against-

BACARDI & COMPANY LTD. CORP. and BACARDI U.S.A., INC.

Defendant.

MEMORANDUM ORDER

Hon. HAROLD BAER, JR., District Judge:

Plaintiff moves to strike as untimely defendants' "Motion to Dismiss the Amended and Supplemental Complaint under Rule 12(b)(6) or, Alternatively, for Partial Summary Judgment Under Rule 56" ("Motion to Dismiss/Partial Summary Judgment"). For the following reasons, plaintiff's motion to strike is GRANTED.

Appendix C

I. BACKGROUND

The dispute in the present action involves the alleged infringement of plaintiff's trademark by defendants' use of "a large oval-shaped letter 'O' that is orange in color and trimmed in gold," *i.e*, the Bacardi "O" mark. Complaint at ¶ 14. At the time plaintiff filed its action, the only product it knew of that allegedly infringed its mark was Bacardi's line of orange rum products. Plaintiffs sought discovery for all present or planned products that would bear the Bacardi "O" mark. More specifically, plaintiff sought in its first document request of November 7, 2002 that defendants produce, among other things,

Request No. 1: "a specimen of each and every brochure, business plan, marketing plan, or other Document that describes the business of Defendant in relation to the 'Bacardi O' line of products,"

Request No. 2: "[a] specimen of each product, including the packaging for each product, that has been, is being, or will be sold or offered for sale under Defendant's Mark,

Request No. 19: "[a]ll documents which refer to, relate to, or evidence communications between Defendant . . . and all of Defendant's . . . manufacturers, suppliers, labelers, packers, shippers and distributors . . . concerning products offered for sale and sold under Defendant's Mark in the United States," and

Appendix C

Request No. 20: "[a]ll Documents which refer to, relate to, or evidence all license agreements . . . wherein Defendant allows, allowed, or will allow the use of Defendant's Mark by another."

On or around March 2003, plaintiffs allege that they learned for the first time from a television commercial of an orange-flavored malt beverage that prominently bears on the face of the product "Bacardi" and "a large oval-shaped letter 'O' that is orange in color and trimmed in gold," *i.e*, the Bacardi "O" mark. *See* Amended and Supplemental Complaint Exh. C; *cf.* Complaint at ¶ 14. The product is manufactured and marketed under Bacardi's "O" mark by Anheuser-Busch, Inc. pursuant to a license agreement. The primary difference between the Bacardi "O" mark label on its rum product and malt beverage is that the latter product appends the number 3 in superscript after the letter "O".

Plaintiff represents to the Court and defendants do not dispute that, despite plaintiff's document request, as set forth above, defendants did not produce any materials in connection with the Bacardi O3 malt beverage product. Upon learning of the malt beverage product, plaintiff sought and the Court granted it leave to extend discovery and to amend and supplement the complaint for the purpose of expressly including the Bacardi O3 malt beverage product and correcting a clerical error. A conference was held with the parties on April 10, 2003, during which defendants received the Amended and Supplemental Complaint ("Amended Complaint") and represented to the Court that it planned to submit a motion for summary judgment. The Court advised

defendants that it should file its summary judgment soon, and ordered that any such motion for summary judgment must be fully briefed and in chambers by May 1, 2003, in accordance with the dispositive motion deadline, to which the parties stipulated in a January 14, 2003 amended pretrial scheduling order. Despite the Court's admonition at the April 10, 2003 conference and Orders from January 14, 2003 and April 10, 2003, defendants submitted its Motion to Dismiss/ Partial Summary Judgment on April 24, 2003, thereby depriving plaintiff the opportunity to have the time allotted by the Federal Rules of Civil Procedure to timely file its opposition to their motion before the deadline for dispositive motions ran.

II. DISCUSSION

Despite the parties' stipulation and clear instructions from the Court that any dispositive motion will be fully briefed and filed on or before May 1, 2003, defendants argue that its Motion to Dismiss/Partial Summary Judgment is not untimely. Citing *Nelson v. Adams U.S.A.*, 529 U.S. 460, 120 S.Ct. 1579, 146 L.Ed.2d 530 (2000), defendants contend it has a fundamental right of due process secured by Rule 12 of the Federal Rules of Civil Procedure to respond to the Amended Complaint, and therefore the scheduling stipulation and order are inapplicable.

I find that *Nelson* does not preclude me from striking defendants' motion as untimely. In *Nelson*, defendant Adams had prevailed, but was fearful that he would be unable to collect the award of attorneys' costs and fees. 529 U.S. at 463. Adams sought consent of the court to amend the

complaint *and* the judgment together, subjecting the added party to immediate liability. The United States Supreme Court agreed with the dissent of the appellate court below that "such swift passage from pleading to judgment in the pleader's favor" did not comport with due process. *Id.* at 465. Unlike Nelson, defendants will have their chance to respond to the amended complaint at trial, thus the due process concerns expressed in *Nelson* are not present here.

Adams, the respondent in *Nelson*, attempted to rely on *Fromson v. Citiplate, Inc.*, 886 F.2d 1300 (Fed.Cir.1989), to support his position that amending the pleading and judgment to impose immediate liability on the added party was not prejudicial. *Nelson*, 529 U.S. at 468-69. The Supreme Court disagreed and found *Fromson* to be clearly distinguishable from *Nelson*. *Id.* Specifically, the Court noted that unlike Adams, "the plaintiff in *Fromson* had moved *before trial*" to add the defendants to the pleading. *Id.* at 468 (emphasis added). The trial court in *Fromson* denied plaintiff's motion to add the parties based on the false representation by defendant corporation that it was solvent. *Fromson*, 886 F.2d at 1301. The defendant corporation, however, filed a voluntary bankruptcy shortly after the court entered a judgment against it. *Id.* at 1302. The *Fromson* trial court granted plaintiff's motion to amend the pleading after the judgment and bankruptcy to add the real parties-in-interest that directly participated in and approved the acts of infringement by the defendant corporation. *Id.* The added parties appealed on the ground that its due process rights were violated. *Id.* at 1303-04. The Supreme Court noted approvingly that the lower court in *Fromson* rejected the appellants' arguments in view of their "deliberate" attempt

to "derail" the lawsuit through their misrepresentation. *Nelson*, 529 U.S. at 468. The Federal Circuit in *Fromson* had observed that the identity of interests between the added individual defendants and defendant corporation were virtually the same, and that the added defendants were responsible for having compromised their ability to defend themselves. *Fromson*, 886 F.3d at 1304; *see also Nelson*, 529 U.S. at 468. Thus, "[t]heir problem, the Federal Circuit aptly observed in its *Fromson* opinion, was 'a bed of their own making.'" *Nelson*, 529 U.S. at 468.

In many ways, defendants in the instant case stand in a similar position as the *Fromson* defendants. Here, defendants clearly had notice from the original complaint that plaintiff sought to enjoin them from using "any simulation, reproduction, copy, or colorable imitation" of plaintiff's "O" trademark design in connection with the "promotion, advertisement, display, sale, offering for sale, production, import, export, circulation or distribution *of any product.*" Orig. Complaint (Prayer for Relief) ¶ 2 (emphasis added). But for the advertising campaign launched by its licensee, Anheuser-Busch, defendants' malt beverage product that bears the Bacardi "O" mark may well have escaped detection during the pendency of the instant lawsuit. This Court will not countenance nor serve as an accessory to defendants' deplorable attempt to conceal its activities that implicate the mark that is the subject of the present action. Plaintiff can hardly be faulted for focusing its original complaint on only Bacardi's orange rum product, when defendants deliberately sought to conceal and deflect possible liability for the manufacture, distribution, and sale of other products that carry a quite similar appearing, if not identical, Bacardi "O"

mark that plaintiff contends infringes its trademark. The problem faced by defendants in timely serving their dispositive motion is one, as in *Fromson*, that is a "bed of their own making."

Defendants now claim, nearly three weeks after the Court considered the parties' arguments and granted plaintiff's request to amend the complaint, that the request to amend should have been denied because the complaint, as amended, could not withstand a motion to dismiss or motion for summary judgment. Despite receiving notice in a March 27, 2003 letter of the amendments that plaintiff sought to make in its complaint, defendants waited a month before finally coming forward with this new argument. Even if I were to accept defendants' belated argument that the amendments adding the infringement claims in connection with the malt beverage product are legally insufficient to be maintained, that does not excuse defendants' failure to timely submit its dispositive motion in regard to the claims of the original complaint, which it had, indisputably, for over 6 months. Neither of the other cases that defendants cite, *Sinay v. Lamson & Sessions Co.*, 948 F.2d 1037 (6th Cir.1991), *Milanese v. Rustoleum Corp.* 244 F.3d 103, are pertinent to showing why the Motion to Dismiss/Partial Summary Judgment should be treated as timely here, particularly when the motion appears, in my view, largely based on arguments that could have been asserted with little change after plaintiff filed its amended complaint. Any fault for the prejudice defendants may experience by having to now litigate this case at trial falls squarely on their shoulders.

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III. CONCLUSION

For the foregoing reasons, plaintiff's motion to strike defendants' Motion to Dismiss/Partial Summary Judgment is GRANTED. Except for the extension of discovery up to trial, the January 14, 2003 Scheduling Stipulation and Order remains in full force and effect, and the non-jury trial of this action will commence on July 28, 2003.

SO ORDERED.
New York, New York
May 8, 2003

s/ Harold Baer, Jr.
U.S.D.J.

APPENDIX D — ORDER OF THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT DENYING PETITION FOR REHEARING DATED SEPTEMBER 8, 2005 AND FILED SEPTEMBER 14, 2005

UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT
THURGOOD MARSHALL U.S. COURT HOUSE
40 FOLEY SQUARE
NEW YORK 10007

Roseann B. MacKechnie
CLERK

Date: 9/8/05

Docket Number: 04-0831-cv
Short Title: Star Industries v. Bacardi
DC Docket Number: 02-cv-4239
DC: SDNY (NEW YORK CITY)
DC Judge: Honorable Kevin Fox

At a stated term of the United States Court of Appeals for the Second Circuit, held at the Thurgood Marshall United States Courthouse, Foley Square, in the City of New York, on the 14th day of September two thousand five.

Appendix D

Star Industries, Inc.,

Plaintiff-Appellant,

v.

Bacardi & Company Limited and Bacardi U.S.A. and Anheuser-Busch, Inc.,

Defendants-Appellees.

A petition for panel rehearing and a petition for rehearing en banc having been filed herein by the appellant Appellant Star Industries Inc. Upon consideration by the panel that decided the appeal, it is Ordered that said petition for rehearing is **DENIED.**

It is further noted that the petition for rehearing en banc has been transmitted to the judges for the court in regular active service and to any other judge that heard the appeal and that no such judge has requested that a vote be taken thereon.

For the Court,
Roseann B. MacKechnie, Clerk

By: s/ Arthur Heller
Motion Staff Attorney

(2)

No. 05-775

FILED
FEB 16 2006
OFFICE OF THE CLERK
SUPREME COURT, U.S.

IN THE

Supreme Court of the United States

STAR INDUSTRIES, INC.,

Petitioner,

v.

BACARDI & COMPANY LIMITED and BACARDI U.S.A., INC. and ANHEUSER-BUSCH, INC.,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

BRIEF IN OPPOSITION

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RESTATEMENT OF QUESTIONS PRESENTED FOR REVIEW

1. Whether the United States Court of Appeals for the Second Circuit (the "Court of Appeals") erred in affirming, under the governing *Polaroid* test, that defendants Bacardi and Company Limited ("BACO"), Bacardi U.S.A., Inc. ("BUSA," and collectively with BACO, "Bacardi"), and Anheuser-Busch, Inc. ("AB") acted in good faith in adopting and using the trademarks BACARDI O for rum and BACARDI SILVER O^3 for malt beverages where a comprehensive trademark search had been conducted prior to the adoption and use of the marks which did not disclose that Petitioner Star Industries, Inc. ("Star") had filed and abandoned an application to register the purported trademark "GEORGI O" for orange-flavored vodka?

2. Should the Supreme Court revisit the confusion analysis conducted by the United States District Court for the Southern District of New York (the "District Court") and the Court of Appeals where there is no split in the circuits as to the standard of review to be applied in examining each individual factor of the confusion analysis and the District Court and Court of Appeals applied well-settled legal principles as their basis for the determination of those factors?

RULE 29.6 STATEMENT

Respondents Bacardi & Company Limited, a privately held corporation organized under the laws of Liechtenstein, and Bacardi U.S.A., Inc., a privately held Delaware corporation, certify that both companies are wholly-owned subsidiaries of Bacardi Limited, a privately held company organized under the laws of Bermuda.

Respondent Anheuser-Busch, Inc., a Missouri corporation, certifies that it is a wholly-owned subsidiary of Anheuser-Busch Companies, Inc., a publicly held Delaware corporation.

No publicly held company owns 10% or more of the stock of Bacardi & Company Limited or Bacardi, U.S.A., Inc. Anheuser-Busch Companies, Inc. owns 100% of the stock of Anheuser-Busch, Inc.

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J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION (4th ed. 2005) 15

PRELIMINARY STATEMENT

This petition concerns the affirmance by the Court of Appeals of an order and judgment of the District Court denying petitioner Star's claim for trademark infringement against respondents Bacardi and AB after a full bench trial on the merits and an attempt by Star to reopen the record.

Star fails to present any compelling reason why the Court of Appeals' decision should be reversed or modified. *See* Sup. Ct. R. 10. Star raises two issues which it claims warrant the review of this Court. First, Star wrongly claims that there is a substantial conflict among the Circuits as to what must be proven in order to show "bad faith" of the junior user in a "reverse confusion" trademark case.[1] In fact, no split exists, as no Circuit has ever adopted the interpretation Star urges this court to adopt—that purported inadequacy or carelessness in a trademark search may be the basis for a finding of bad faith. Indeed, the Third Circuit, which Star claims has adopted such a standard, has explicitly rejected such an interpretation. In any event, Star's argument that Defendants acted in bad faith in their adoption and use of the BACARDI O and BACARDI SILVER O[3] trademarks must be rejected, as, despite its pleas, it has never presented any evidence to support a claim that Defendants performed an inadequate or careless trademark search prior to their adoption and use of their trademarks.

---

1. Star's current claim (though it constantly changed its claim as to what sort of confusion existed in the District Court) is apparently a combination of "reverse confusion," where a junior user overwhelms a senior user's limited use of a mark, and "association confusion," where the public believes that the senior and junior users are in some way related (e.g., that the junior user got permission from the senior user to use the mark).

Star's second claim for review, that the Court of Appeals purportedly failed to apply the correct standard of review in the confusion analysis, is little more than a plea to relitigate this case *de novo* in this forum. Star demonstrates no conflict among the courts of appeals concerning the appropriate standard of review of the District Court's determination of the confusion factors, and the question was comprehensively briefed and argued before the District Court and the Court of Appeals, which adhered to the appropriate caselaw in making their determination. Again, in any event, the facts of this particular case demonstrate that the Court of Appeals conducted the appropriate confusion analysis and made the appropriate findings on confusion.

COUNTER-STATEMENT OF FACTS

Star is a local producer of alcoholic beverages located on Long Island, New York which distributes (among other products) GEORGI vodka, a low-end brand priced below major nationally distributed vodka brands, such as ABSOLUT, SMIRNOFF, and STOLICHNAYA (2a). In June 1996, Star, noting the success of Stolichnaya's orange-flavored Vodka, which was nicknamed "STOLI O" by customers, launched a cheap orange-flavored GEORGI vodka of its own (*id.*). The label for this vodka

> consist[ed] of the traditional Georgi label, which contains a coat of arms and a logo consisting of stylized capital letters spelling 'Georgi' on a white background, together with three new elements: an orange slice, the words 'orange flavored,' and a large elliptical letter 'O' appearing below the 'Georgi' logo and surrounding all the other elements.

(2a-3a). The "O" was used to indicate the orange flavor, and Star hoped the product would become known as "GEORGI

O," just as Stolichnaya's orange-flavored vodka was known as "STOLI O" (3a, 40a). In 1996, Star applied to register "GEORGI O" as a word mark with the United States Patent and Trademark Office (the "USPTO"), and submitted the label used on its Georgi orange-flavored vodka as a specimen in support of this application (3a). The USPTO rejected Star's application, finding that purchasers would not perceive "GEORGI O" to be the mark as used on the label, but would instead view the mark as GEORGI with a design (*id.*). Star never responded to this rejection, and the application was accordingly abandoned. Nor did Star file any other trademark applications for its GEORGI orange-flavored vodka product until after the commencement of this litigation. However, Star continued to market its orange-flavored vodka with little or no sales success, particularly outside New York state, where sales were, at best, negligible. Total sales of GEORGI orange-flavored vodka from 1996-2003 amounted to approximately 14,000 cases or under $600,000—less than 1% of the United States market for vodka, and less than 2,000 cases (on average) per year (31a-32a).

In 2000, Bacardi began plans to launch an orange-flavored extension of its BACARDI rum line as a follow-up to its successful BACARDI LIMON citrus-flavored rum product (3a-4a). Bacardi considered numerous names, but ultimately chose the name BACARDI O for its orange-flavored rum product. Prior to proceeding with the launch of the product, Bacardi, through its counsel, conducted a comprehensive trademark search, done by Thomson & Thomson, a leading trademark search vendor, for "O" marks used in connection with alcoholic beverages (32a). This search report did not make any reference either to Star's abandoned "GEORGI O" or to any existing common law usage of Star's GEORGI Orange-Flavored Vodka brand (*id.*).

Bacardi launched its BACARDI O orange-flavored rum product in 2001, and Bacardi's licensee, AB, launched the BACARDI SILVER O^3 orange-flavored malt beverage product (based on the BACARDI O product) in 2003 as an extension of its BACARDI SILVER malt beverage product (3a-4a).

In September of 2001, Star's counsel sent a cease and desist letter to Bacardi demanding that Bacardi stop selling its BACARDI O orange-flavored rum product (5a). Thereafter, Star filed suit against Bacardi in the District Court (*id.*). Shortly before the scheduled trial date, Star added AB as a defendant and AB's BACARDI SILVER O^3 orange-flavored malt beverage product as an allegedly infringing product (*id.*).

The District Court, after a full bench trial and extensive post-trial briefing and argument, rejected both of Star's contentions, finding that Star's "O" design was not a protectable mark, and even if it were, no likelihood of confusion existed. After an unsuccessful attempt to reopen the record in the District Court to admit evidence of USPTO actions that took place six months after the close of trial and after the District Court's judgment issued, Star filed an appeal to the Court of Appeals. Star made a second unsuccessful motion to the Court of Appeals in an attempt to expand the record to include evidence which was not admitted in the District Court. Ultimately, the Court of Appeals found that Star's "O" design mark was a protectable (though exceedingly weak) trademark, but agreed with the District Court's conclusion that no likelihood of confusion existed and affirmed the District Court's order and judgment against Star.

On July 6, 2005, Star filed a petition for panel rehearing and a petition for rehearing *en banc*, based on the idea that the Court of Appeals erred in its weighing of the confusion factors and in its finding that Bacardi did not act in bad faith—essentially, the same issues raised in this Petition. The petition for rehearing was summarily denied on September 14, 2005.

REASONS FOR DENYING THE PETITION

Star claims that review by this Court is necessary for two reasons. First, Star claims, without any basis, that there is a substantial circuit split as to how "bad faith" should be determined and weighed in a reverse confusion trademark case.[2] This is simply not the case. The Third Circuit, which Star claims has adopted a "carelessness" standard for determining when bad faith exists in a "reverse confusion" trademark case, has in fact rejected that "carelessness" standard in subsequent caselaw. No Circuit has adopted the approach Star proposes, and there is no substantial split among the circuits on the issue. Furthermore, even if "carelessness" were the accepted standard to determine when bad faith existed, there is no evidence that Bacardi was careless in its trademark search and clearance.

Star's second claim is more puzzling. Effectively, it is nothing more than an attempt to relitigate the confusion analysis performed by the District Court and the Court of Appeals. Star provides no legal basis for doing so, nor does

2. Star's claim that this is a case of "association confusion" in no way relates to the determinations it challenges. Regardless of whether Star's claim was for "direct confusion" or "association confusion," the test for determining whether Bacardi and AB acted in bad faith would be the same.

it assert any substantial legal issue is involved in doing so. This is far from the sort of claim that warrants this Court's intervention in what is, fundamentally, a simple and well-settled area of trademark law.

I. THERE IS NO SPLIT IN THE CIRCUITS REGARDING THE BAD FAITH FACTOR IN A LIKELIHOOD OF CONFUSION OF ANALYSIS

Star asserts, again wrongly, that the Second Circuit applies a more stringent standard than do other circuits to claims of "bad faith" in a reverse confusion trademark case. The new test Star proposes would substitute simple "carelessness" to determine if Bacardi acted in bad faith for the present test, which requires deliberate copying with the intent to poach on the goodwill established by the senior user's mark in order to establish bad faith. However, contrary to Star's claim, no Circuit has adopted a "carelessness" standard. Star points to only two Circuits which it claims have adopted a "carelessness" test for determining when an alleged infringer in a reverse confusion case has acted in "bad faith." Indeed, the Third Circuit (the court Star primarily cites for the alleged split) has rejected equating bad faith with carelessness, and no circuit has expressly adopted such an approach.

Star asserts that the Third Circuit adopted a "carelessness" test for determining bad faith in a reverse confusion case in *Fisons Horticulture, Inc. v. Vigoro Indus., Inc.*, 30 F.3d 466 (3d Cir. 1994), based, in part, on a reference to that case by the Court of Appeals in a footnote. However, this is a misstatement of the standard currently being applied in the Third Circuit. Although *dicta* in *Fisons* can be read as suggesting that "carelessness" might be the appropriate

standard to determine when a junior user in a reverse confusion case has acted in bad faith, the Third Circuit has subsequently explicitly rejected this interpretation of *Fisons*. In *A & H Sportswear, Inc. v. Victoria's Secret Stores, Inc.*, 237 F.3d 198 (3d Cir. 2000), the Third Circuit expressly rejected the "carelessness" interpretation of *Fisons* that Star relies upon in its Petition (and which the Court of Appeals referenced in a footnote of its opinion), stating:

> Although we recognize that our opinion in *Fisons* perhaps implied that mere carelessness, as opposed to deliberate intent to confuse, would weigh in a plaintiff's favor in a reverse confusion case, we are reluctant to adopt such an interpretation, as it would be manifestly out of step with our prior holdings regarding the relevance of "intent" in trademark infringement claims.

Id. at 232-33.

In December of last year, the Third Circuit again rejected a litigant's attempt to invoke a "carelessness" standard to determine bad faith in a reverse confusion trademark case, expressly stating "we have not yet adopted that standard for such an analysis, and we are certainly not willing to adopt it on this record." *Freedom Card, Inc. v. JP Morgan Chase & Co.*, 432 F.3d 463, 480 (3d Cir. 2005). Thus, the Third Circuit, contrary to Star's assertions, has twice squarely rejected the "carelessness" approach which Star now urges this Court to adopt and on which it relies in support of its claim that there is a circuit split on the issue. This alone should suffice to warrant rejection of the petition.

The only other Circuit Court case Star cites in support of its proposition that a "carelessness" test for determining when a junior user has acted in bad faith has been accepted by some circuits is *Cohn v. Petsmart, Inc.*, 281 F.3d 837 (9th Cir. 2002). The *Cohn* court disposed of the question of bad faith quickly, finding that the question of the alleged infringer's intent was "relevant but essentially neutral" in the determination of likelihood of confusion in that case because "Cohn did not present evidence that Petsmart intended to copy Cohn's mark or that Petsmart should have known of Cohn's superior trademark rights." *Id.* at 843. Somehow, from this, Star draws the conclusion that the Ninth Circuit has adopted a "carelessness" approach to determining whether a junior user acted in bad faith in a reverse confusion case. Instead, the Ninth Circuit applies an actual or constructive knowledge standard to determine when a junior user acted in bad faith, one far different from the one Star is seeking to apply here.

Star also cites three District Court cases in support of its argument that a circuit split exists on the question of whether mere "carelessness" supports a finding of bad faith in a reverse confusion case. Two, *Rainforest Cafe, Inc. v. Amazon, Inc.*, 86 F. Supp. 2d 886 (D. Minn. 1999), and *Dream Team Collectibles, Inc. v. NBA Props., Inc.*, 958 F. Supp. 1401 (E.D. Mo. 1997), both apply the misunderstanding of the *Fisons* test that the Third Circuit subsequently corrected in *A & H Sportswear*, and were decided before the Third Circuit's clarification of *Fisons*. The final case, *Mars Musical Adventures, Inc. v. Mars, Inc.*, 159 F.Supp.2d 1146 (D. Minn. 2001), was decided after *A & H Sportswear* clarified the appropriate standard, but failed to cite to that controlling authority, and, instead mistakenly relied solely on *Rainforest Cafe*, *Dream Team Collectibles*, and *Fisons* in applying a

"carelessness" rationale. Thus, the brief flirtation with finding bad faith based on an alleged careless trademark search has been rejected in the Third Circuit and the Circuit split claimed by Star is illusory. Indeed, even though the *Mars* court applied the erroneous "carelessness" test, it found that there was no bad faith, because "Defendants submitted sufficient evidence to show that they conducted an adequate trademark search." *Id.* at 1152. As discussed below, the same is true here—there is more than adequate evidence that demonstrates that Bacardi conducted a comprehensive trademark search.

Star's remaining argument in support of its proposed "carelessness" test for bad faith in a reverse confusion case is that the Second Circuit has previously adopted such a standard and somehow ignored that standard in this case. As it did before both the District Court and the Court of Appeals, Star attempts to claim that this case is identical to *International Star Class Yacht Racing Ass'n v. Tommy Hilfiger, U.S.A., Inc.*, 80 F.3d 749 (2d Cir. 1996), which it asserts adopted the "carelessness" standard for determining when "bad faith" exists in a reverse confusion trademark case. Indeed, Star claims that somehow the Second Circuit has overruled or ignored *Hilfiger* through its decision in this case. That is simply not the case.[3] *Hilfiger* did not involve a careless trademark search; instead, no full trademark search was conducted even though Hilfiger deliberately copied the words "STAR CLASS" and an emblem from authentic sailing gear.

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3. Indeed, the panel was unquestionably well aware of the *Hilfiger* decision. Not only was the case extensively discussed by both Star and Defendants in their briefs, but Judge Newman, a member of the panel of the Court of Appeals that decided this case, also sat on the panel that decided *Hilfiger*. Star's claim that the panel ignored or was otherwise unaware of *Hilfiger* is simply ludicrous.

In *Hilfiger*, defendant sold sportswear with the words STAR CLASS and a star design on it and advertised its clothing as containing "authentic details taken from the sport of competitive sailing." *Id.* at 751. Prior to launching this clothing line, Hilfiger conducted only a preliminary trademark screening for federal trademarks for clothing, and ignored its counsel's advice that it should conduct a comprehensive trademark search through an outside vendor. It was this failure to follow counsel's advice and conduct a routine trademark search, coupled with the deliberate copying of the marks in question, that was crucial to a finding of bad faith in *Hilfiger*. Here, as discussed below, it is undisputed that Bacardi followed its counsel's advice and commissioned a full and complete search for "O" marks in the alcoholic beverage industry from Thomson and Thomson, the most respected trademark search vendor in the United States, prior to its adoption and use of the BACARDI O mark.

Thus, contrary to Star's assertion in its petition, the law of the Second Circuit cannot be described as "internally inconsistent" on the subject of bad faith in reverse confusion cases as a result of its decision in this case.[4] *Hilfiger* articulates the standard to be applied to determine bad faith in a damages context while other cases focus on whether bad faith existed in a liability context. There is no internal inconsistency to be corrected by this Court, and no Second

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4. Nor is a purported "internal inconsistency" in Circuit precedent the type of matter that warrants review on a writ of certiorari. (Sup. Ct. R. 10). Indeed, such a purported "internal inconsistency" would ordinarily be resolved by a Petition for Rehearing. Star made such a petition based on this argument, which was denied without even a request for Bacardi and AB's views, indicating that the Second Circuit found Star's claim of "internal inconsistency" lacking in merit.

Circuit precedent for Star's proposition that purported "carelessness" in a trademark search is sufficient to demonstrate "bad faith" and liability for trademark infringement.

Finally, Star's proposed new standard is manifestly a poor policy choice. Under the current standard, in order to prove bad faith, the plaintiff must prove the junior user engaged in a deliberate attempt to create actual confusion in order to profit from the goodwill symbolized by the plaintiff's mark. Once these two elements are proved, the burden of persuasion shifts to the defendant to prove his nefarious scheme failed—that is, no likely confusion existed despite the defendant's best efforts to bring it about. Under the proposed "carelessness" standard, there is no reason to suppose that the defendant even knew about plaintiff's mark, let alone tried to tag along on any reputation that mark may have achieved. There is no basis to bootstrap likely confusion from mere "carelessness," as this state of mind is irrelevant to whether confusion exists. As generating confusion is the *sine qua non* of trademark infringement, this would make no sense.

II. IN ANY EVENT, THERE IS NO EVIDENCE TO SUPPORT STAR'S CLAIM OF "CARELESSNESS" GIVING RISE TO BAD FAITH

Even if Star's proposed "carelessness" standard for bad faith were appropriate, it could have no application on the record of this case. Star's "carelessness" claim is based on the unfounded contention that Bacardi failed to conduct an adequate trademark search prior to adopting its BACARDI O trademark (and subsequently, AB's adoption and use of the BACARDI SILVER O^3 trademark). Star never produced evidence to substantiate this claim and the District Court found Bacardi's conduct was appropriate.

The record established Bacardi commissioned a full trademark search from Thomson & Thomson of the mark "O" for alcoholic beverages (32a). Star, which claims ownership of an "O" mark, asserts that Bacardi should have conducted a trademark search for BACARDI O rather than for O. As the holder of the rights to the name and mark BACARDI for rum and related beverage products on a worldwide basis, Bacardi is well aware of the various uses of BACARDI marks on alcoholic beverages and had no need to conduct another search for that designation. Instead, Bacardi prudently chose to conduct a broader search, one for all uses of "O" for alcoholic beverages, which would include, but not be limited to, marks that would be similar to BACARDI O. Star's abandoned application was not cited in the search. The District Court opinion explains well how the results of the search reported to Bacardi were, of necessity, narrowed because so many "O" formative marks were found:

> [T]he outside search firm performed a search for just the "O" mark, which revealed more than 3,000 results. The actual results of the search that were shown to the defendant were narrowed and some marks contained a word followed by the letter "O" were excluded. The results of the search reported to Bacardi were specified and narrowed by the *outside* search company, and thus, the failure to uncover plaintiff's word mark application does not appear to arise from the *defendant's* bad faith effort to remain uninformed of the allegedly infringed mark.

(46a (citations omitted, emphasis in original)). There is no conceivable basis for imputing any "bad faith" to Bacardi, as Star's abandoned application was not disclosed. The claim that Bacardi somehow "willfully blinded" itself to the

existence of Star's mark by conducting a search for O alone rather than BACARDI O is simply ludicrous. By searching "O" instead of BACARDI O, Bacardi sought the widest possible search. In fact, Star's witnesses agreed at trial that Star had no objection to Bacardi's use of the mark BACARDI O, but merely to the style and typography of the "O" used as part of the label. Thus, Bacardi's search was calculated to uncover any registrations or applications in which an "O" design was claimed as a mark alone or with other elements.

Star's second claim is that upon learning of Star's abandoned application (by conducting the BACARDI O trademark search), Bacardi would have had an obligation to investigate further. Again, this claim is simply nonsensical. Had the search report turned up Star's application to register "GEORGI O," Bacardi would have seen nothing more than a trademark application that went abandoned four years previously without even an attempt by Star to respond to the USPTO's rejection of the application, and no subsequent filings for new marks or an "O" design apart from "GEORGI O."[5] There would have been no reason for Bacardi to pursue further investigation of Star based on the existence of this single abandoned application, because, as Star itself conceded, "BACARDI O" and "GEORGI O" are not confusingly similar.

Accordingly, even if "carelessness" were the appropriate standard to be applied in this case, there is no evidence that

5. Star applied for a number of marks related to its GEORGI orange flavored vodka product, including one for its "O" design standing alone, long after the start of this litigation (32a). However, no such applications had been filed at the time Bacardi conducted its trademark search, and could not have been uncovered. The sole information in existence at the time of the search was Star's abandoned trademark application and Star's minimal sales of its GEORGI orange-flavored vodka product.

Bacardi was in any way careless in conducting its trademark clearance. Bacardi conducted a search carefully calculated to uncover any problematic marks. Star's abandoned application was not reported by the search firm. After a full trial on the merits, the District Court found that Star failed to prove any likelihood of confusion between the marks at issue, which confirms that the search firm exercised appropriate judgment in its selection of citations.

III. STAR OFFERS NO LEGAL BASIS FOR ITS CLAIM THAT THE COURT FAILED TO APPLY THE APPROPRIATE STANDARD OF REVIEW

Star's final claim is that the Court of Appeals failed to apply the appropriate "standard of review" with respect to two of the factors it weighed in the likelihood of confusion analysis. Star does not claim (nor could it) that there is any particularly novel legal issue with respect to the standard of review in this case. Fundamentally, Star's claim is nothing more that a claim that the Court of Appeals misapplied a properly stated rule of law, which is not an appropriate basis on which to grant a Petition for Certiorari. Sup. Ct. R. 10. Star concedes that this identical issue was raised in its petition for rehearing, which the Court of Appeals rejected without even a request for Defendants' views. This alone should be dispositive of this argument.

Star asserts that the Court of Appeals erred by applying a "clear error" standard to the District Court's findings on two of the factors in its confusion analysis—similarity of the marks and actual confusion—rather than making *de novo* findings on these factors. Star concedes that ordinarily, these factors are questions of fact and thus subject to a review for clear error, but should, in this case, have been subjected to

de novo review because the "incorrect legal standard" was applied by the District Court in making its determinations.

With respect to the District Court's finding on similarity, Star claims the District Court applied an incorrect legal standard by looking at the labels for the parties' products as a whole, rather than separating out the parties' individual "O" designs. However, the test applied by the District Court —examining the marks as a whole—was unquestionably correct. Under the prevailing law of the Second Circuit, "[i]n assessing similarity, courts look to the overall impression created by the logo and the context in which they are found and consider the totality of factors that could cause confusion among prospective purchasers." *Gruner + Jahr USA Publ'g v. Meredith Corp.*, 991 F.2d 1072, 1078 (2d Cir. 1993). The District Court correctly applied this test in noting that "the Georgi word mark combined with the crest and the 'O,' together form a single unified design that must be analyzed in its entirety" (34a). This well-settled "anti-dissection" principle for confusion analysis is fundamental to trademark law in all of the Courts of Appeals, and has been adopted by the Supreme Court. "Conflicting composite marks are to be compared by looking at them as a whole, rather than breaking the marks up into their component marks for comparison." 3 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 23:41 at 23-129 (4th ed. 2005) (citing, *inter alia*, *Estate of P.D. Beckwith, Inc. v. Comm'r of Patents*, 252 U.S. 538, 545-46 (1920); *Coca-Cola Co. v. Snow Crest Beverages, Inc.*, 162 F.2d 280 (1st Cir. 1947); *Fisons*, 30 F.3d at 477-78; *Sun-Fun Prods., Inc. v. Suntan Research & Dev. Inc.*, 656 F.2d 186, 189 (5th Cir. 1981)). Accordingly, the District Court applied the correct legal test for determining the similarity of the marks, and the District Court's finding on similarity was appropriately examined for clear error

rather than *de novo*, as the District Court applied a universally accepted legal principle by comparing the marks in their entireties, rather than dissecting them, as Star urged the District Court and the Court of Appeals to do.

Star's second assertion is that the court erred in failing to make a *de novo* finding on actual confusion. Star fails to identify any way in which either the District Court or the Court of Appeals applied the wrong legal standard to its actual confusion claim other than the fact that neither the District Court nor the Court of Appeals credited Star's purported evidence of actual confusion, which was based on two anecdotal hearsay instances presented in testimony from witnesses directly or indirectly affiliated with Star. The District Court did not ignore Star's claim of actual confusion nor the evidence Star presented in support of this claim. It simply found Star's evidence to be less than credible. As the District Court wrote:

> [P]laintiff's anecdotal evidence of confusion was unsupported, i.e., plaintiff was unable to identify a single individual or produce a single witness to substantiate the testimony of third-party witnesses. Given the anonymity of these allegedly confused individuals, such evidence is of little probative value.

(37a-38a). The Court of Appeals agreed with this finding, and more fully explained the nature of the evidence, and how the defendants rebutted the purported evidence of actual confusion:

> Star's evidence of actual confusion consisted entirely of testimony by several interested

> witnesses recounting a handful of anecdotes, including a number of hearsay statements by unidentified and unidentifiable declarants. Appellees, on the other hand, submitted consumer surveys tending to rebut charges of actual consumer confusion.

(20a).

Star's apparent view is that any anecdotal evidence of actual confusion, no matter how incredible or unsupported that anecdotal evidence may be, must be fully credited and automatically generate a finding that actual confusion existed, no matter what evidence is presented to oppose those anecdotes. This is simply nonsensical.

CONCLUSION

Contrary to Star's claims, there is no split among the circuits as to whether "carelessness" in a trademark search can be used to support a finding that an alleged infringer acted in bad faith. While the Third Circuit briefly considered adopting such a standard, it subsequently and unambiguously rejected that standard in later decisions. Nor did the Second Circuit adopt such a standard in *Hilfiger*, which is a case about when damages may properly be awarded for trademark infringement, not about liability for trademark infringement. Furthermore, even if Star's proposed "carelessness" standard were to be adopted, Bacardi did not act carelessly in its clearance of the BACARDI O and BACARDI SILVER O^3 marks.

Nor did the Court of Appeals weigh the confusion factors inappropriately. The District Court's findings on similarity of the marks and actual confusion were both based on the appropriate legal standard and were clear. The marks were compared for similarity in their entireties, as required by well-settled black letter law, including precedent of this court. Star's claim of actual confusion was heard, and found wanting, especially in light of the survey evidence presented by Bacardi and AB. The Court of Appeals had no reason to revisit these factual findings in the absence of clear error.

For the reasons stated above, the petition for a writ of certiorari filed by petitioner Star should be denied.

Respectfully submitted,

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No. 05-775

IN THE

Supreme Court of the United States

STAR INDUSTRIES, INC.,

Petitioner,

v.

BACARDI & COMPANY LIMITED and BACARDI U.S.A., INC. and ANHEUSER-BUSCH, INC.,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

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STATEMENT PURSUANT TO RULE 29.6

Petitioner's corporate disclosure statement was set forth at page *iii* of its Petition for a Writ of Certiorari, and there are no amendments to that statement.

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Petitioner Star Industries, Inc. ("Star") submits this reply brief in further support of its Petition for a Writ of Certiorari (the "Petition") to review the judgment of the United States Court of Appeals for the Second Circuit (the "Judgment"), entered in this case on June 22, 2005. The Judgment affirmed in part and reversed in part the judgment of the United States District Court for the Southern District of New York (the "District Court") dismissing Star's claims for trademark infringement, and denying Star's request for injunctive relief, an accounting of profits and an award of reasonable attorney's fees. This reply brief addresses issues raised by Respondents Bacardi & Co. Ltd., Bacardi U.S.A., Inc. and Anheuser-Busch, Inc. (the "Respondents") in their Brief in Opposition to the Petition.

PRELIMINARY STATEMENT

Star's Petition and Respondents' Brief in Opposition are like two ships passing in the night. Respondents repeatedly contend that Star is advocating that the current evidentiary showing required to establish bad faith in a likelihood of confusion analysis be profoundly modified so that instead of deliberate intent, a plaintiff need only demonstrate that a defendant was "careless" in adopting its trademark. In other words, Respondents are attempting to suggest that Star is advocating a radical shift in the threshold for establishing bad faith, when Star is doing nothing of the sort. In furtherance of this tactic, Respondents use the word "carelessness" (in quotes) *twenty-six times* in their Brief in Opposition. This is nothing but a red herring intended to deflect attention from the fundamental split among the Circuits as to what a small senior trademark holder must show in order to establish bad faith on the part of a larger junior user in a reverse confusion trademark case.

In fact, what Star advocated to the District Court and before the Second Circuit Court of Appeals was a bad faith likelihood of confusion standard that requires something less than deliberate intent, but well in excess of "carelessness". Specifically, Star advocated, and other Circuits have adopted, a "reckless" or "willful disregard" standard for finding bad faith as part of the confusion analysis, particularly in reverse confusion cases involving a trademark search conducted, and then ignored, by the junior user. While "carelessness" on the one hand suggests the failure to take care, that is, to act at all, "reckless" or "willful disregard" suggests the failure to act in the face of clear warning signs. These are very different standards, and this Court's consideration of the Petition should not be clouded by Respondents' mischaracterization of Star's position.

The bottom line, which Respondents utterly fail to address in their Brief in Opposition, is that there remains a sharp split in the Circuit Courts as to whether a showing of bad faith in a confusion analysis requires a plaintiff to prove, in a reverse confusion case, deliberate intent on the part of the defendant junior user. The Second Circuit, in the Judgment, answered that question in the affirmative, while the Third Circuit (as the Second Circuit acknowledged in the Judgment), and other Circuits following it, have stopped well short of requiring deliberate intent, and yet another group of Circuit Courts have removed the bad faith factor from the confusion analysis entirely in cases of reverse confusion. Thus, there remains a fundamental split in the Circuits on this important issue, which Respondents cannot and do not deny, and which needs to be rectified by this Court.

REASONS FOR GRANTING THE PETITION

I. Star Has Never Advocated A "Carelessness" Standard

In an effort to draw attention away from the issue at the heart of this Petition — whether there is a fundamental split in the Circuits that needs to be rectified by this Court — Respondents repeatedly attempt to cast Star as an advocate of a radical shift in the standard for determining the bad faith factor in a trademark confusion analysis. Although Star never once uses the word "carelessness" once in the Petition, Respondents inundate their Brief in Opposition with the use of the word "carelessness" (*see, e.g.*, Br. in Opp. at 6), and insinuate that if this Court does so much as even consider Star's position, it will be departing from a unified approach adopted by the Circuit Courts on this issue. This is Respondents' attempt at drawing attention away from the real issue addressed in the Petition, which is whether this Court needs to, once and for all, settle a fundamental split in the Circuits so that litigants in trademark infringement cases can know whether, in attempting to prove the important confusion factor of bad faith, especially in a reverse confusion case, they need to show deliberate intent to deceive (as required by the Second Circuit), something less than that (as required by the Third, Eighth and Ninth Circuits), or nothing at all (as required by the Sixth and Seventh Circuits).

To be clear, Star's Petition does not, nor has Star ever in this case, advocated any sort of "carelessness" standard. In fact, Star advocates a "reckless" or "willful disregard" standard, particularly in the context of a defendant's consideration of trademark search results. As Star sets out in the Petition, the question it presents on this appeal is:

> Should the Supreme Court reverse the Court of Appeals' finding that in order to prove bad faith as part of a confusion analysis in a trademark infringement case in the Second Circuit, a trade holder must prove deliberate intent to copy a trademark, where there was clear evidence at the trial in the instant action that Respondents performed an inadequate trademark search and acted in *reckless or willful disregard* of Petitioner's trademark rights, and where there is a split in the Circuits on this issue, with the Third and other Circuits holding that a small senior trademark user need only prove that a large junior user acted in *willful or reckless disregard* of the senior user's trademark rights in order to support a finding of bad faith? (emphasis added)

Where then did Respondents get the idea to focus on the red herring issue of a "carelessness" standard? They got the idea from a recent case that came down in the Third Circuit Court of Appeals, *Freedom Card, Inc. v. JP Morgan Chase & Co.*, 432 F.3d 463 (3d Cir. 2005), which takes a step back from the main Third Circuit case evincing a split in the Circuits, referred to by Star in the Petition (and by the Second Circuit Court of Appeals in the Judgment), *Fisons Horticulture, Inc. v. Vigoro Industries, Inc.*, 30 F.3d 466 (3d Cir. 1994). Clarifying *Fisons*, the Third Circuit in *Freedom Card* held, as it also previously held in *A & H Sportswear, Inc. v. Victoria Secret Stores, Inc.*, 237 F.3d 198 (3d Cir. 2000), that *Fisons* does not stand for the proposition that the Third Circuit accepts proof of "carelessness" as a basis for establishing bad faith in a reverse confusion case. The Third Circuit does not, however, in *Freedom Card*, overturn the specific holding of *Fisons*, which is that in a reverse

confusion case, bad faith can be found not where evidence establishes that the junior user was "careless", but where the junior user is shown to have had a reason to know (from the results of a trademark search) of the senior user's trademark, and nevertheless failed to conduct any further investigation, instead proceeding without regard to the senior user's rights.

Despite Respondents' contentions, this remains the law in the Third Circuit, and is precisely the standard advocated by Star to the Second Circuit, and which the Second Circuit rejected. Indeed, the Third Circuit stated in *A & H Sportswear*, the precursor to *Freedom Card*, that "a defendant's intent may be discovered through such inquiries as whether the defendant was aware of the senior user's mark when it adopted its own mark, and whether the defendant considered that its adoption of the mark might result in confusion." *A & H Sportswear*, 237 F.3d at 232. Once again, this "willful" or "reckless disregard" standard, which stops significantly short of a deliberate intent threshold (but does not come close to a "carelessness" standard), was not rejected in *Freedom Card*, and still lives in the Third Circuit.

II. Most Importantly, There Is Still A Fundamental Split In The Circuits On The Standard For Showing Bad Faith In A Reverse Confusion Context That Needs To Be Rectified

Try as it might by arguing that Star is advocating a radical new "carelessness" standard, and that there is no longer a split between the Second and Third Circuits on the requisite evidentiary threshold for showing bad faith in a reverse confusion infringement analysis, Respondents utterly fail to address the single most important point raised by this Petition — that regardless of the state of the law in the Third Circuit,

there still remains a fundamental split in the Circuits that needs to be rectified by this Court. As noted in the Petition, there are at least three (and now, perhaps four) different approaches taken by the Circuits in assessing the critical confusion factor of bad faith in reverse confusion trademark cases. Respondents scrupulously avoid addressing these various approaches in their Brief in Opposition, preferring instead to hammer away at Star's purported advocacy of the mysterious "carelessness" standard.

Thus, as indicated above, and in the Petition, while the Second Circuit adopts a deliberate intent to deceive standard in the Judgment, the Third Circuit still maintains a standard that falls significantly short of deliberate intent. Further, courts in the Eighth and Ninth Circuits, following the reasoning of the Third Circuit's decision in *Fisons* (and those Circuits having not spoken on this issue since the Third Circuit's decision in *Freedom Card*), continue to follow a reckless or knowing disregard standard, that is, the same standard advanced by Star. *See Mars Musical Adventures, Inc. v. Mars, Inc.*, 159 F. Supp. 2d 1146, 1152 (D. Minn. 2001) (the Court held that "the 'intent' inquiry is whether . . . the alleged infringer was careless in not conducting proper research, to avoid infringement, prior to development of its trademark"); *Rainforest Cafe, Inc. v. Amazon, Inc.*, 86 F. Supp. 2d 886, 899 (D. Minn. 1999) (the Court held that "In a reverse confusion case . . . the junior user, by definition, does not seek to capitalize on the good will of the senior user. Consequently, the above-set forth prong of the traditional forward confusion analysis addressing 'passing off' is rendered moot in a reverse confusion case"); *Dream Team Collectibles, Inc. v. NBA Properties, Inc.*, 958 F. Supp. 1401, 1415 (E.D. Mo. 1997) (applying the *Fisons* test and noting that "[b]y definition, in a reverse confusion case, 'the

junior user does not seek to trade on the good will and name of the senior user; instead it overwhelms it'"). Thus, regardless of what the standard may now be in the Third Circuit, the willful or reckless disregard standard still lives in the Eighth and Ninth Circuits, notwithstanding Respondents' suggestion that *Freedom Card* somehow changed that (Br. in Opp. at 8, 9).

Moreover, totally absent from Respondents' Brief in Opposition is any discussion of the approach adopted by the Sixth and Seventh Circuits on this issue (not surprisingly, because that approach is unaffected by *Freedom Card* or anything the Third Circuit has said on the issue). Those Circuits, having recognized that a small senior user will never be able to prove deliberate intent to copy in a reverse confusion case, have eliminated the bad faith factor from the confusion analysis entirely. *See Sands, Taylor & Wood Co. v. The Quaker Oats Co.*, 978 F.2d 947, 960 (7th Cir. 1992), *cert. denied*, 507 U.S. 1042, 113 S. Ct. 1879, 123 L. Ed. 2d 497 (1995) (finding that the "intent" element is essentially irrelevant in a reverse confusion case because "[i]n a reverse confusion case . . . the defendant by definition *is not* palming off or otherwise attempting to create confusion as to the source of the product") (emphasis in original); *Therma-Scan Inc. v. Thermoscan, Inc.*, 295 F.3d 623, 639 (6th Cir. 2002) (holding that "[t]he district court erred, however, in finding that the absence of any evidence of intentional copying 'weighs in favor of finding little likelihood of confusion between the marks.' This factor, rather than tilting the balance in either direction, does not carry significant weight if no evidence of intentional infringement exists").

Accordingly, no matter what the import of *Freedom Card* turns out to be in the Third Circuit, there continues to be a sharp split in the Circuits on how to assess a fundamental issue that is critical to nearly every trademark infringement case — the issue of whether an accused infringer has acted in bad faith. Nothing Respondents say in their Brief in Opposition changes that, and this Court needs to weigh in and restore order in the Circuits on this issue.

III. Notwithstanding Respondents' Argument, There Remains A Split In The Second Circuit On How To Assess Bad Faith In A Trademark Infringement Case

Star's Petition also points out that there is even a split within the Second Circuit itself on the issue of what standard should be used for measuring intent or bad faith in a trademark infringement case. Star pointed out that although the Second Circuit in the instant action found that bad faith requires a showing of deliberate intent, in *International Star Class Yacht Racing Ass'n v. Tommy Hilfiger, U.S.A., Inc.*, 80 F.3d 749 (2d Cir. 1996), the Second Circuit held that in assessing whether a defendant acted willfully, a showing of willful disregard or willful ignorance is sufficient. Specifically, the Second Circuit found that a defendant's "willful ignorance" in engaging in "minimal efforts to ascertain whether [the mark it adopted] was, in fact, a trademark" constituted bad faith. *Hilfiger*, 80 F.3d at 753.

In their Brief in Opposition, Respondents argue that *Hilfiger* is distinguishable from the decision below, and there is no split within the Second Circuit, because *Hilfiger* was decided in the context of assessing a monetary award, whereas the Court below was analyzing confusion in an effort to determine liability. That is indeed true. However, no case

in the Second Circuit has ever held that the willfulness analysis in *Hilfiger* is to be applied only in the damages context, and indeed, as is typical in trademark infringement cases, the District Court and the Second Circuit in *Hilfiger* made no separate analysis of the willfulness issue in considering whether Hilfiger had acted in bad faith for confusion purposes, as opposed to whether Hilfiger had acted willfully for purposes of determining whether to make a monetary award. In other words, the same willfulness analysis employed for purposes of determining likelihood of confusion was used in determining whether to award profits in *Hilfiger*. Further, courts in the Second Circuit have applied the *Hilfiger* standard for determining willfulness in assessing bad faith as part of the likelihood of confusion analysis. *See, e.g., First Jewellery Co. of Canada, Inc. v. Internet Shopping Network LLC*, No. 99 Civ. 11239, 2001 WL 122171 at *5 (S.D.N.Y. Feb. 1, 2000); *Cache, Inc. v. M.Z. Berger & Co.*, No. 99 Civ. 12320, 2001 WL 38283 at *11 (S.D.N.Y. Jan. 16, 2001) (both applying the standard in *Hilfiger* in the context of analyzing the bad faith confusion factor for purposes of determining liability for trademark infringement). As explained in the Petition, the bottom line is that there remains a split even within the Second Circuit on the question of how a party's level of willfulness (*i.e.*, bad faith) is measured in a trademark infringement case, which also needs to be addressed by the Court.

CONCLUSION

For the foregoing reasons, and those set forth in the Petition, Star's Petition for Writ of Certiorari should be granted.

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